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Journal

Studies in American Political Development, 26(2)

ISSN

0898-588X

Author

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Publication Date

2012-10-01

DOI

10.1017/S0898588X12000077

Peer reviewed

The 'Problem of Preferences': Medicare and Business Support for the Welfare State*

(Short Title: The 'Problem of Preferences')

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Forthcoming, *Studies in American Political Development*

** I thank Sam DeCanio, Jacob Hacker, Sigrun Kahl, Theodore Marmor, David Mayhew, Thomas Paster, Eric Schickler, and seminar participants at Berkeley for their helpful feedback on this project. Any remaining errors are, of course, my own. Special thanks are due to the tremendously helpful and generous archival research staffs at the LBJ Presidential Library in Austin, Texas, National Archives in Washington, DC, the University of Virginia Miller Center of Public Affairs' Presidential Recordings Program, Bailey Library at Hendrix College in Conway, Arkansas, Wisconsin Historical Society in Green Bay, Wisconsin, Hagley Library in Wilmington, Delaware, Yale University Sterling Memorial Library, and Columbia University Butler Library. This research was funded in part by two Mellon grants from Yale University. I also thank the Beswick family, Mac Barnes, and Danae Steele for their hospitality. I finally acknowledge the National Science Foundation Graduate Research Fellowship Program for support.

Abstract

Few political observers would readily assume that a present-day politician or interest group's claims about their preferences accurately reflect their genuine views. However, scholars often unwittingly make this very assumption when inferring the preferences of historical political actors. In this paper I explore the influence of business groups on Medicare's passage to illustrate how inattention to political actors' strategic misrepresentations can bias qualitative and quantitative research. An ongoing debate wrestles with the pattern that businesses often grant support to welfare state expansions just before they occur, a regularity some take as evidence that business interests dictate these expansions. I use Medicare as a case study and document that key business groups and their allies did not truly favor the program. However, I also show that these actors strategically misrepresented this preference as its passage became likely in order to advance more limited alternatives. The strategic nature of this position is exceptionally easy to miss; yet inattention to it produces the opposite, erroneous conclusion about these actors' historical role. The program's history thus illustrates the methodological necessity of documenting whether political actors are misrepresenting their preferences. I discuss how scholars can do so by tracing actors' stated preferences across strategic circumstances.

1. Did Organized Industry Favor Medicare's Passage? How Can We Know?

On July 29, 1965, the day before President Lyndon Johnson signed Medicare and Medicaid into law, the President's congressional aide Larry O'Brien circulated the guest list for the bill's signing ceremony around the White House. Most scholars would not be surprised at the individuals and organizations the Administration invited to celebrate the passage of one of the Great Society's most renowned legacies: numerous liberal Members of Congress, union officials, and senior citizen advocacy group representatives were all expected to attend. Nor, in contrast, would most scholars be surprised that the White House did not invite one representative of industry, commerce, or any other business group to the ceremony.¹

Nonetheless, considerable empirical evidence seemingly suggests that industry groups and their allies played a crucial role in *supporting* Medicare's passage: business-friendly Republicans overwhelmingly voted for the measure, which included a major provision, now known as Medicare Part B, that was conceived by Republicans, inserted into the bill by the unimpeachably pro-business Rep. Wilbur Mills, and that a representative of the National Association of Manufacturers said could be "strongly supported by industry."² Prior to the bill's passage, the Council of State Chambers of Commerce likewise endorsed the view that "full and complete medical care should be provided those aged members of our society who cannot

¹ *Guest List for the Signing of the Medicare Bill*, 29 July 1965, Ex LE/IS, box 75, LBJ Library.

² M. E. Feary to John Byrnes. 22 February 1965. Box 29, John Byrnes Papers, Wisconsin Historical Society.

reasonably pay for such care themselves.”³

Consistent with what these facts seem to imply, a number of scholars have argued that changes in businesses’ preferences are the *crucial driving force* behind welfare state *expansions*, and thus that, contrary to conventional wisdom, business is far from the near-universal roadblock to the welfare state’s growth that conventional wisdom would posit. For example, Peter Swenson argues that changes in industry and employer interests principally account for welfare state growth, and Isabela Mares chastises scholars for “often *assum[ing]*, rather than *document[ing]*” business opposition to the welfare programs.⁴ Supporting such arguments, scholars regularly find that, as occurred with Medicare, business groups and their allies have often granted their support to welfare state expansions just before they have occurred.

Such claims that business support drives welfare state growth have been vigorously contested,⁵ as has the broader claim that businesses reliably exert outsized political influence.⁶ Yet in recent years the debate over business’ influence on the welfare state has reached an impasse over a fundamental methodological challenge: identifying these political actors’ true policy preferences when they might have reason to misrepresent them.

³ *Testimony of Leslie J. Dikovichs*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May – 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

⁴ See most generally Peter A. Swenson, *Capitalists Against Markets* (Oxford, 2002).; Isabela Mares, *The Politics of Social Risks: Business and Welfare State Development* (Cambridge, 2003). See next section for review.

⁵ See next section for review.

⁶ E.g., Mark A. Smith, *American Business and Political Power: Public Opinion, Elections, and Democracy* (Chicago, 2000); Cathie Jo Martin, *Stuck in Neutral: Business and the Politics of Human Capital Investment Policy* (Princeton University Press), 1999.

Specifically, some scholars posit that businesses' support for welfare state expansions simply reflects strategic acquiescence from weak political positions just prior to probable losses, though others point out that businesses might also have reasons to *understate* their support for these programs.

The impasse this particular literature has reached reflects a broader lacuna in scholarly knowledge with far broader implications: from literatures on ideal point estimation to interest group influence, identifying political actors' policy preferences is a foundational starting point for numerous scholarly analyses of politics, yet this basic task can be surprisingly difficult to overcome because political actors may have reason to strategically misrepresent their views in a number of subtle ways.

In this paper I use Medicare's passage as a case study to illustrate how inattention to the possibility that political actors are misrepresenting their preferences can easily lead to biased inferences and mistaken attributions of causality. I show, for example, that the seemingly clear evidence I presented above about the National Association of Manufacturers' support for Medicare is in fact deeply misleading, and that none of the actors I referenced truly supported the program's passage. The possibility that seemingly unambiguous evidence about political actors' preferences can in fact merely reflect strategic misrepresentations thus poses a fundamental challenge to the 'internal validity' of political research (that is, whether valid causal

conclusions are drawn from the empirical evidence).⁷

The paper explores these issues as follows. I first review the debate over business influence on the welfare state and the impasse scholars have reached over how to identify business actors' preferences. I then discuss reasons why political actors might misrepresent their preferences and the challenges that this poses for researchers more generally. To illustrate these issues, I next turn to considering Medicare's historical case and situate this case within the broader literature on how business interests influence welfare state development. I then document business groups' and pro-business politicians' unequivocal opposition to some of the Great Society's signature social programs, events on which existing accounts of the program's political history are largely silent.⁸ In doing so, I draw much evidence from materials that were made available only recently, including President Johnson's telephone conversations, minutes of executive sessions of the House Ways and Means Committee, oral histories, the papers of the Chamber of Commerce and National Association of Manufacturers, and the papers of Congressmen Wilbur Mills and John Byrnes.

This evidence demonstrates how various interest group and legislative actors strategically misrepresented their preferences about Medicare and how such misrepresentations could be remarkably easy to miss, a problem I

⁷ See John Gerring, *Case Study Research: Principles and Practices* (Cambridge, 2007). Chapter 7.

⁸ E.g. Lawrence R Jacobs. *The Health of Nations* (Cornell University Press, 1993), 157-162, 203-206.; Jonathan Oberlander, *The Political Life of Medicare* (Chicago, 2003).

follow Hacker and Pierson in calling ‘the problem of preferences.’⁹ In contrast to extant approaches to this issue, however, I argue that overcoming this problem of preferences is crucial and in many cases achievable. Specifically, I show that considering how actors’ expressed preferences vary across strategic contexts – such as across time and audiences – is vital to establishing whether they are strategically misrepresenting them. Without such evidence, however, reliably reconstructing the policy preferences of political actors, even in the presence of ostensibly compelling archival evidence, is exceedingly difficult to accomplish. I therefore conclude by arguing that it should be both qualitative and quantitative research’s methodological obligation to explicitly defend inferences about political actors’ true preferences from the possibility that these actors are misrepresenting them.

2. Business Interests and Welfare State Development: Does The Welfare State Expand Because Businesses Want It To?

Most understandings of the development of the modern welfare state continue to follow from Walter Korpi’s premise that “the probability of changes in the economic organization of society depends basically on changes in the distribution of power resources between the contending classes.”¹⁰ Or, as Korpi also later wrote, that “in the capitalist democracies, it is fruitful to view politics as an expression of a democratic class struggle...in which class, socio-economic cleavages and the distribution of power

⁹ Jacob S. Hacker and Paul Pierson, “Business Power and Social Policy: Employers and the Formation of the American Welfare State,” *Politics and Society* 30 (2002): 277-325.

¹⁰ Walter Korpi, *The Working Class in Welfare Capitalism*. (London: Routledge, 1978), 317.

resources play central roles.”¹¹

The power resource school’s assertion that businesses thus reliably oppose welfare state growth has come under increasing attack in recent decades. Most notably, Peter Swenson’s *Capitalists Against Markets* marshals extensive historical evidence to argue not only that capitalist interests are often served by welfare state growth but that business’ interests are in fact *chiefly responsible* for welfare state *expansions*. In particular, Swenson argues that large firms have the incentive to turn over the financial burden for work benefit and pension programs to the state in order to better compete with smaller firms without these obligations. Swenson thus argues that the Great Depression heralded the Social Security Act’s passage principally due to the resulting *economic* changes, not the political ones usually identified: faced with a remade labor marketplace after the crash, he argues, it became in large firms’ economic interest to effectively hand over their retiree and pension programs to the state, thus leading to the SSA.¹²

Other scholars have found similar support for related theses. For example, Gordon argues that the Social Security Act was largely a product of business’ “effort to ‘even out’ the competitive disparities resulting from two decades of private and state-level experimentation with work benefits;”¹³ and

¹¹Walter Korpi, *The Democratic Class Struggles* (London: Routledge, 1983), 21.

¹² Peter A. Swenson. “Varieties of Capitalist Interests: Power, Institutions, and the Regulatory Welfare State in the United States and Sweden.” *Studies in American Political Development* 18 (2004): 1-29.; Swenson, *Capitalists Against Markets*, 5.; Peter A. Swenson, “Bringing Capital Back in, or, Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden,” *World Politics* 43 (1991), 513-544.

¹³ Colin Gordon, *New Deals: Business, labor, and politics in America: 1920-1935* (Cambridge, 1994), 4, 241-2.

Mares likewise contends that business drives welfare state expansion in order to solve market failures in skill formation by reducing workers' reluctance to invest in industry- or firm-specific skills.¹⁴

Though Swenson, Mares, Gordon, and others explicate different causal mechanisms, scholars in this school of welfare state scholarship thus all make a similar ultimate claim: far from retarding welfare state development, employer interests in fact generally *dictate* the size of the welfare state. Variation in the welfare state is thus principally explained by variation in employer interests in this view; hence Swenson doubts that "a shifting balance of class power will ever explain much" about the welfare state.¹⁵ Supporting this argument, these scholars frequently document businesses granting support to significant welfare state expansions, and – perhaps indicatively of a crucial *causal* role – often doing so just before they occur.

The Empirical (and Methodological) Debate

While they are novel, the claims made by this 'business interest

¹⁴ Mares, *Politics of Social Risk*. 5, 9, 264.

¹⁵ Peter A. Swenson. "Yes, and Comparative Analysis Too: Rejoinder to Hacker and Pierson." *Studies in American Political Development* 18 (2004): 196-200. See also Peter Swenson, "Arranged Alliance: Business Interests in the New Deal." *Politics and Society* 25 (1997): 66-116.; Swenson, "Bringing Capital Back In."; Gordon, *New Deals*.; Cathie Jo Martin and Duane Swank. "Does the Organization of Capital Matter? Employers and Active Labor Market Policy at the National and Firm Levels." *American Political Science Review* 98 (2004), 593-611.; Edward D. Berkowitz and Kim McQuaid, *Creating the Welfare State: The Political Economy of Twentieth Century Reform*. (Praeger, 1988).; J. Craig Jenkins and Barbara G. Brents, "Social Protest, Hegemonic Competition, and Social Reform: A Political Struggle Interpretation of the Origins of the American Welfare State," *American Sociological Review* 54 (1989): 891-909. To some extent also see Torben Iversen and David Soskice, "An Asset Theory of Social Policy Preferences." *American Political Science Review* 95 (2001): 875-893.; G. William Domhoff, *The Power Elite and the State: How Policy is Made in America* (New York: Aldine de Gruyter, 1990), Chapter 4.; Jill S. Quadagno. *The Transformation of Old Age Security* (Chicago, 1988). For general review of the business interest literature see also pages 177-181 in Walter Korpi, "Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism: Protagonists, Contesters, and Antagonists," *World Politics* 58 (2006): 167-206.

school' have been vigorously contested by other welfare state theorists. Most prominently, Jacob Hacker and Paul Pierson argue that these conclusions result from a fundamental misinterpretation of the empirical evidence. It is often difficult, Hacker and Pierson reason, "to determine whether a particular policy stance reflects a genuine preference or reluctant acquiescence in light of a weak political position," a challenge they term the 'problem of preferences.' If businesses choose to support their most favored alternative *within the space of politically feasible options*, evidence that they supported particular welfare state programs does not necessarily imply that they truly preferred these alternatives relative to the status quo: they might have been attempting to limit the welfare state's growth as much as possible *within the constraints set by hostile political environments*.¹⁶

Swenson rejects this explanation, however, noting businesses' clear statements of support for various welfare state expansion both in the US and abroad, including in private communications and meetings.¹⁷

Swenson, Korpi, Hacker and Pierson, and others have continued to debate the issue of how to interpret business' stated support for welfare state expansions in *Studies* and elsewhere. Yet this debate has remained at an impasse due to the challenge Hacker and Pierson outlined: identifying political actors' preferences when they might have reason to misrepresent them. Though some have tried, no scholar has yet offered a compelling solution to this problem.

¹⁶ Hacker and Pierson, "Business Power and Social Policy."; Korpi, "Power Resources and Employer-Centered Approaches."

¹⁷ Swenson, "Varieties of Capitalist Interests."

Far from being limited to this particular question, identifying political actors' preferences is an issue that is fundamental to numerous literatures and research programs. Yet scholars rarely grant much attention to the possibility that the actors we study might misrepresent their preferences: in literatures from the estimation of legislators' ideology to the influence of interest group money in politics, it is frequently assumed that political actors reveal their preferences relative to the status quo truthfully. However, though little work has directly confronted the challenge of how to account for this possibility, there is good reason to think that such misrepresentations are pervasive and pose difficult challenges for the study of politics.

3. The 'Problem of Preferences'

When and Why Would Political Actors Misrepresent Their Preferences?

Few political observers would readily assume that a present-day politician or interest group's statements about their beliefs represent their genuine viewpoints. However, scholars frequently risk doing the very same in both qualitative and quantitative approaches to positions taken by political actors in the past without careful attention to the reasons these actors might have misrepresented them. The crux of the problem is succinctly stated by Frieden: "the position of a government representative, politician, manager, lobbyist, or union leader typically embeds in it calculations of what the impact of [taking] this position might be."¹⁸

¹⁸ Jeffrey A. Frieden. "Actors and Preferences in International Relations." In David A. Lake and Robert Powell, *Strategic Choice and International Relations* (Princeton, 1999). For a more formal discussion of why political actors can be expected to behave insincerely a great deal of the time see Elizabeth M. Penn, John W. Patty, and Sean Gailmard, "Manipulation and Single-Peakedness: A General Result." *American Journal of Political Science* 55 (2011): 436-

What such “impacts” might political actors hope to achieve by misrepresenting their preferences? Though no unified treatment of these issues exists to my knowledge, existing scholarship provides several reasons why actors might leave behind empirical evidence suggesting that they support a policy alternative that (greatly) differs from their true preference.

Overstating Support For Politically Feasible Outcomes. One way political actors can be expected to misrepresent their preferences is by overstating support for a politically feasible outcome when they judge their true preferences to be politically unfeasible. Specifically, actors may advance (and indeed hope to actually achieve) a policy alternative that, while not their true preference relative to the status quo, is (a) *more politically feasible* than their true preference, yet (b) still *closer* to their true preference *than the likely policy outcome* absent their actions.

For example, many pharmaceutical companies supported the Affordable Care Act of 2010 in exchange for particular policy concessions even though many appear not to have truly favored passage of the Act relative to the status quo, even once it contained these provisions. In other words, these actors appear to have expected the ‘impact’ of taking the compromise position preferable to the ‘impact’ of opposing the legislation, even though the latter strategy would have been facially more consistent with their true preferences.¹⁹

Similarly, businesses and their political allies who were completely

449.

¹⁹ E.g., David Kirkpatrick, “White House Affirms Deal on Drug Cost,” *New York Times* (August 6, 2009), A1.

opposed to Medicare in any form nevertheless advanced a number of proposals for subsidizing the aged's health care in order to limit the scope of what they deemed to be the inevitable passage of an even more expansive policy. Whereas in each case these actors might have squandered their efforts were they to advance their true preference, their efforts to advance a politically feasible alternative could plausibly yield substantial payoffs relative to the likely outcome.

In sum, actors sometimes advance policies they do not truly prefer relative to the status quo in order to secure an outcome *closer* to their true preference than would prevail otherwise.²⁰

Trading Support for Access. Second, political actors sometimes overstate their support for a policy or another political actor in order to *gain* access to negotiations or to gain the audience of another actor. For example, PACs generally contribute a great deal more money to members of the majority party in Congress. The best explanation for their doing so is that they perceive higher value in gaining access to Congresspeople who are members of the majority, not that PACs' preferences for which members are re-elected regularly changes en masse at the same time party control of Congress does.²¹

Shaping 'Policy Feedback' Effects. Third, political actors routinely structure policy in such a way as to shape the subsequent *political*

²⁰ See Hacker and Pierson, "Business Power and Social Policy", for greater discussion of this issue.

²¹ E.g., Gary Cox and Eric Magar, "How Much is Majority Status in the US Congress Worth?" *American Political Science Review* 93 (1999): 299-309.

environment that these policies create. As a prominent example, social security taxes were famously designed so as to cement a broad-based constituency for the program; social security tax's deduction from every person's paycheck was viewed as a key political strength of the proposal, even though some of its proponents did not appear to favor this idea in the narrowest policy terms. Similarly, as will be discussed in the case of Medicare, conservative Democrat Wilbur Mills appears to have essentially tripled Medicare in scope so as to best forestall the demand for universal national health insurance. Though Mills' expansion of the program appears to have placed policy much further from his preference in the short term, in creating a fairly expansive program Mills succeeded in securing an enduring barrier to a more broad-based government-sponsored health insurance program in the US. In sum, political actors often anticipate the downstream political consequences of proposed policies, what scholars term 'policy feedback' effects,²² and shape policies in ways that seek to shape the long-term policy equilibrium that will result.

Withholding Support to Gain Additional Concessions. Finally, political actors might also *overstate their opposition* to a likely outcome in order to bring policy even closer to their ideal even when they truly support the alternative under consideration relative to the status quo. Though in most ideal point estimation frameworks, for example, legislators always vote for the option that is closer to their bliss point, actors might oppose options that

²² See especially Paul Pierson, "When Effect Becomes Cause: Policy Feedback and Political Change," *World Politics* 45 (1993): 595-628.

they prefer over the status quo if they believe that even more satisfactory options are politically feasible. As Swenson notes, if an interest group believes that “there is the chance that the legislators [they are influencing] might tidy up a few details to suit [them] before passage – like a car salesman who might, for example, reduce the price or lengthen the warranty – why show enthusiasm instead of resistance?”²³ Liberal Congressional Democrats’ threat to vote against the 2010 Affordable Care Act if it did not contain a public insurance option was (an attempt to pursue) such a strategy.

Table 1 summarizes these broad reasons to expect that actors might misrepresent their preferences.²⁴ Though the examples of preference misrepresentation provided are particularly stark, similar dynamics regularly occur in ways that can prove much more difficult for researchers to spot and can severely bias historical inferences. In the following pages I illustrate such dynamics at play in such subtler forms as I revisit debates about businesses’ role in welfare state development with evidence from the passage of Medicare. I begin by reviewing crucial aspects of Medicare’s political history.

Table 1. Common Reasons Actors Misrepresent Preferences

Type of Misrepresentation	Description	Sample Example
Overstating	Actor voices support for an	Pharmaceutical

²³ Swenson, “Yes, and Comparative Analysis Too.”

²⁴ A final category, “Audience Effects”, might encapsulate reasons that political actors misrepresent their preferences to placate accountability agents who are monitoring their behavior, such as voters or interest group members. Political scientists well-understand such phenomenon to exist, however, and the dynamics discussed here focus on instances where even a purely policy-motivated, unitary actor would still choose to misrepresent their preferences.

Support For Politically Feasible Outcome	outcome (a) <i>more feasible</i> than their true preference but (b) that is also <i>more acceptable</i> than the likely outcome.	companies supporting the 2010 Affordable Care Act when it contained policy concessions even though they did not truly favor passage of the act overall.
Trading Support for Access	Actor attempts to <i>gain access</i> to a negotiation over a policy they do not truly prefer or to an actor they do not support with acts of support.	PACs donating to members of the majority party in Congress because access to these members is valuable, even though they may not actually prefer these members' re-election.
Shaping 'Policy Feedback' Effects	Actor supports policy alternative different than their ideal in the short term in order to <i>shape long-term political arrangements</i> to satisfy their policy objectives.	Social security's payroll taxation scheme creating a continuing political constituency for the program's continuance.
Withholding Support to Gain Additional Concessions	Actor <i>withholds support</i> for a policy they actually prefer over the status quo in hopes of securing an outcome even closer to their true preference.	Congressional Democrats threatening to vote against the 2010 Affordable Care Act without a public insurance option.

4. A Brief History of Medicare

Before LBJ

Medicare began its political life as a much more ambitious idea: government-sponsored health insurance for all Americans. After decades of failed attempts to build support for such proposals, which had been first seriously advanced in the earliest years of the 20th century, reformers in the early 1950s settled on advancing a new, narrower proposal: government-sponsored health care for the aged alone. No other political system had targeted a health program in this way, yet the proposal promised to be more

politically feasible for a number of reasons: there was a strong substantive case to be made that the aged bore the greatest need for government assistance; the elderly could be expected to support the proposal in massive numbers; many of the young also hoped to socialize the risk they bore for their elderly relatives' healthcare; and the proposal would be much less costly than covering all Americans.²⁵

Yet the idea did not meet much support at first: President Truman's proposal for state-sponsored health insurance for the aged received little backing, and President Eisenhower successfully ran against the measure during the Presidential campaign, branding it "socialized medicine." Even after regaining control of Congress in 1954, northern Democrats who supported the proposal did not have nearly enough votes to advance it: in fact, they held no hearings on the subject until 1958, when they deemed that the possibility for its passage first became "slight."²⁶

By 1960, however, it had become clear to Medicare's foes that growing liberal power in Congress would eventually lead some version of the proposal to pass. Assenting to the "tactical need for federal action," the American Medical Association and businesses thus helped lead the charge for a modest, state-based medical aid program for the indigent, hoping that this program would "head off the demand for Medicare."²⁷ For the first (and not the last) time during Medicare's political life, actors opposed to it thus granted support to a limited version of the proposal in hopes of frustrating

²⁵ See Oberlander, *The Political Life of Medicare*, 22-25.

²⁶ Theodore R. Marmor, *The Politics of Medicare* (London: Routledge, 1973), 13.

²⁷ Marmor, *The Politics of Medicare*, 24-30.

efforts to enact the full plan.

This program, called Kerr-Mills, was enacted in 1960. But Kerr-Mills did not successfully forestall demand for Medicare as the AMA and its allies had hoped: the AFL-CIO and other liberal interest groups continued to successfully build public support for a broader plan.²⁸ Kennedy followed suit as he ran for President, stressing his support for Medicare throughout the 1960 campaign as he noticed it reliably receiving the “biggest applause lines” at his rallies.²⁹ (For his part, rival candidate Richard Nixon told voters that “the American people...do not want, they must not have, a compulsory insurance plan forced down their throats, and we will not allow it.”³⁰)

Even before his inauguration, however, Kennedy learned that a Medicare bill was unlikely to pass during his Presidency: Congressional leaders friendly to the Administration’s agenda explained that the conservative-dominated Senate Finance and House Ways and Means Committees would not support many of his legislative priorities, including Medicare, short of dramatic concessions. (Kennedy reportedly remarked in response, “When I was a Congressman I never realized how important Congress was. But now I do.”)³¹

The White House nonetheless attempted to break the conservative coalition’s opposition by mobilizing the public’s support. As the

²⁸ *Ibid*, 24-7.

²⁹ David Blumenthal. *The Heart of Power* (Berkeley: University of California Press, 2009), 143-4.; Jaap Kooijman. *...And the Pursuit of National Health*. (Amsterdam: Rodopi, 1999).

³⁰ James L. Sundquist. *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Washington, DC: Brookings, 1968), 308.

³¹ Blumenthal, *The Heart of Power*, 139, 146, 207-12.

Administration prepared for this push, the AMA and business groups readied their resistance, creating a group called AMPAC with assistance from the United States Chamber of Commerce and the National Association of Manufacturers. The AFL-CIO led interest group support for the bill with assistance from traditional liberal groups such as Americans for Democratic Action (ADA) and seniors groups.³²

Behind the public fight between Kennedy, liberal interest groups, and the AMA that was ultimately waged during the Kennedy years, however, the Administration was aware that the AMA was largely a political “scapegoat”: Administration officials diagnosed their fundamental problem as the paucity of liberal Democrats in Congress. Nevertheless, Kennedy believed that Medicare made a winning campaign issue and kept the measure high on his agenda even as only slow progress was made into 1963.³³

LBJ Comes to Power

Medicare’s most important history of consideration began under LBJ. After his inauguration, the new president made Medicare one of his first major legislative priorities, capitalizing on the martyred Kennedy’s support for the program and ever-cognizant of the public’s broad and ever-growing support for it.

Privately, however, LBJ also knew that the proposal would never pass without the blessing of the powerful Chairman of the Ways and Means Committee, Representative Wilbur Mills. In typical fashion, Johnson thus

³² Kooijman, *...And the Pursuit of National Health*, 145-6.; Marmor, *The Politics of Medicare*, 24-7.

³³ Kooijman, *...And the Pursuit of National Health*, 149-59.

started courting Mills' support for Medicare early, telling Mills that he would dub Medicare the "Mills bill," assuring Mills he could claim credit for the legislation, and calling it the "single most important, popular thing."³⁴ Three days after calling Mills to stroke his ego, LBJ would even force Mills to sit through the President's lengthy recitation of the results of a public opinion poll from Vermont that stressed LBJ's popularity while arguing that the President's only weakness going into the 1964 election was that he had "done nothing for the old folks."³⁵

Yet for all of Johnson's infamous cajoling tactics, Mills did not budge in 1964. Most importantly, Mills knew that there were not enough liberal Democrats to pass a Medicare bill in the House, even though he could have mustered the votes on the Ways and Means committee to get it to the floor. As he had done throughout his career, however, Mills resisted reporting any legislation from the committee that was not assured to pass.³⁶ Therefore,

³⁴ Blumenthal, *Heart of Power*, 179.; Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 3 June 1964, Citation #3642, Recordings of Telephone Conversations - White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

³⁵ Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 6 June 1964, Citation #3686, Recordings of Telephone Conversations - White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

³⁶ Wilbur Cohen would later say,

"When Wilbur Mills ultimately supports you, he has done it on two counts. One, he has finally decided that he's in a reasonably comfortable position to be helpful, and two, that he has every assurance in his own mind that it will succeed. **You've got to remember that Wilbur Mills' opposition to Medicare and substitution to Kerr-Mills to a great extent had to do with Wilbur Mills' great ability to count heads.** He wasn't going to take on a crusade that was doomed to failure."

Also,

"Wilbur Mills was conservative in his approach to legislation. **He was one fellow who, in my dealings with him, wanted to be fully assured that a bill, once it reached the floor, would pass. The last thing Wilbur Mills would allow to happen is to bring something to the floor that would be defeated.** Secondly, he always wanted to be in a position to have a closed rule when it came to the floor so it could not be decimated by amendment. Once he was in that position, you could be very comfortable about the end result. **So two things had to happen: one, Wilbur Mills have a change of view regarding the concept of Medicare; and two--as**

even though a Medicare rider provision passed the Senate on September 3, Mills' skepticism about its prospects in the House led him to kill the rider in the October 1964 Conference committee.³⁷

The Decisive 1964 Election

The election of 1964 shattered this impasse. As James Sundquist would record, "the 1964 Democratic landslide settled the question" of whether Medicare would pass;³⁸ Theodore Marmor likewise characterized the period as reflecting "the politics of legislative certainty."

Most importantly, the historic landslide had ushered in a Congressional environment significantly friendlier to liberal Democrats: in 69 – or nearly 1 in 6 – seats in the United States House of Representatives now sat a freshman Democrat who believed they owed their victories to LBJ.³⁹ The Johnson Administration shared this view of the 1964 election's decisive role: in a December 1964 memo, Mike Manatos, the special assistant to the President, noted that, through electoral replacement alone, the Administration had moved from not quite having the votes to have a

important if not more so--full and total assurance that it would pass."

(Transcript, Lawrence F. O'Brien Oral History Interview XI, 7/24/86, by Michael L. Gillette, Internet Copy, LBJ Library.); White House legislative aide Larry O'Brien wrote to the President in January 1964, Mills had "great interest in fashioning a bill that [would] pass." (emphasis mine, Lawrence F. O'Brien to Lyndon B. Johnson, 27 January 1964, Ex LE/IS, box 75, LBJ Library.); Transcript, Wilbur Mills Oral History Interview II, 3/25/87, by Michael L. Gillette, Internet Copy, LBJ Library. This is also consistent with other scholarship on the period, which indicates that Mills would not allow bills to move forward unless he was certain they would pass (Richard Fenno, *Congressmen in Committees* (Boston: Little Brown and Company, 1973), 54-55, 203.; John Manley, *The Politics of Finance*, (Boston: Little Brown and Company, 1970), 106.; Julian Zelizer, *Taxing America: Wilbur D. Mills, Congress, and the State, 1945-1975*, (Cambridge, 1998).

³⁷ Marmor, *The Politics of Medicare*, 56.; Kooijman, *...And the Pursuit of National Health*, 159-62. For a more detailed account of this period, see Christy Chapin, "The Politics of Medicare, 1957-1965", PhD Dissertation Chapter, University of Virginia.

³⁸ Sundquist, *Politics and Policy*, 317.

³⁹ Harris, *A Sacred Trust*, 177.

Medicare bill pass the Senate to a situation where they would win by a comfortable margin.⁴⁰ The election also defeated three of Medicare's most dependable opponents on Ways and Means, while a change in the House rules precipitated by the election changed the ratio of Democrats to Republicans on Ways and Means from 15-10 to 17-8.⁴¹

Rank and file Members of Congress of both parties shared the view that the 1964 election had removed nearly all obstacles to Medicare's passage: one Republican Congressman reflected, for example, "there's not much we can do to stop this program";⁴² Medicare's approval was routinely characterized around Washington as "easy"; and Members of Congress perceived its popularity among the public to be unmistakable.⁴³

In light of his newly strengthened political hand, Johnson redoubled his efforts to passing a Medicare law at the start of the 89th Congress, making it clear that the program was his first priority by arranging for the Medicare bills in the House and Senate to be labeled H.R. 1 and S. 1, respectively, and informing his legislative allies that Medicare would be first on the agenda.⁴⁴

Mills changed his position after the 1964 election, too, recalling the following in an oral history interview in answer to a question about why he

⁴⁰ Mike Manatos to Lawrence F. O'Brien, December 8, 1964. Ex LE/IS, box 75, LBJ Library.

⁴¹ Harris, *A Sacred Trust*, 174.

⁴² Lawrence Grossback, David Peterson, and James Stimson, *Mandate Politics*, (Cambridge, 2006), 1-2, 27, 45.

⁴³ Marmor, *The Politics of Medicare*, 57-9.; Blumenthal, *The Heart of Power*, 185.; Kooijman, *...And the Pursuit of National Health*, 164. The 1964 ANES illustrates the point: Medicare enjoyed public support by a greater than 2 to 1 margin. (Author's analysis. The American National Election Studies (Ann Arbor, MI: University of Michigan, Center for Political Studies).)

⁴⁴ Marmor, *The Politics of Medicare*, 60-1.; Recording of Conversation between Lyndon B. Johnson and Walter Reuther, 29 November 1964, Citation #6474, Recordings of Telephone Conversations - White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

supported Medicare in 1965 after representing such a notoriously obstreperous roadblock in the years prior:

Well, time had developed, I think, more support for it [Medicare] among the people. But then **the election of the President [Johnson] in 1964 had the major impact, made the major difference.** He had espoused it in his campaign, you know, and here he was elected by a 2 to 1 vote, which was a pretty strong endorsement of it, I thought. I thought the time had come to pass it. **I don't think we could have passed it in 1961.**⁴⁵

Regardless of whether Mills was then or previously personally opposed to Medicare, it had at least become clear that Medicare would pass in some form, leaving Mills no choice except to take advantage of the measure's popularity and "turn it to his own purpose."⁴⁶ Not only did Mills do so, but, in a coup-de-grace that would surprise everyone, he set into motion what would ultimately become some of the largest welfare state programs in the world.

Wilbur Mills' 'Three-Layer Cake'

What Congress ultimately passed in 1965 was more far-reaching than anyone in 1964 had imagined – and numerous political actors' gross misrepresentation of their true preferences made it possible.

The Kennedy and Johnson Administration's Medicare proposal, H.R. 1 in 1965, had consisted mainly of what is now known as Medicare Part A,

⁴⁵ Transcript, Wilbur Mills Oral History Interview II, 3/25/87, by Michael L. Gillette, Internet Copy, LBJ Library.

⁴⁶ Harris, *A Sacred Trust*, 179.

hospital insurance for Americans over 65 financed by a payroll tax on current workers. Regular medical care, such as routine doctors' visits, was almost entirely outside the scope of the proposed program.

In response to the overwhelming likelihood that this proposal would pass, however, the staunchly opposed AMA and Congressional Republicans thus thought their best hope for opposition was to split the broad coalition supporting the Administration's hospital insurance bill by claiming that it didn't go far enough, didn't cover the most important people or procedures, or simply didn't take the correct approach.⁴⁷ The AMA thus drafted an alternative proposal known as Eldercare, which would have built off the Kerr-Mills program and provided state-based medical aid to the poor, and poured nearly \$1 million into advertising the plan (\$7 million in 2012 terms).⁴⁸

Ranking Republican Ways and Means Committee Member John Byrnes similarly recognized that "the discussion stage" was "over" after the election, recalling that: "the 1964 election...created the situation where *it was clear that apparently there were votes enough to pass it. ... All you had to do was read the election results in a sense to recognize that the big increase in Administration-elected members of the House meant that they would have the votes to pretty much put through something.*"⁴⁹ In response to this new political reality, Byrnes thus crafted a Republican alternative

⁴⁷ Kooijman, ...*And the Pursuit of National Health*, 164-5.; Transcript, Lawrence F. O'Brien Oral History Interview XI, 7/24/86, by Michael L. Gillette, Internet Copy, LBJ Library.; Wilbur J. Cohen to Jack Valenti, 4 March 1965, Ex LE/IS, box 75, LBJ Library.

⁴⁸ Kooijman, ...*And the Pursuit of National Health*, 164-5.; Marmor, *The Politics of Medicare*, 61.; Sheri I. David, *With Dignity*, (Westport, CT: Greenwood Press, 1985), 126.; Harris, *A Sacred Trust*, 180.

⁴⁹ Reminiscences of John Byrnes.

largely resembling what is now known as Medicare Part B. The plan allowed seniors to voluntarily sign up for a federally administered insurance plan that would cover not only hospitalization but also routine doctor's visits and other similar non-catastrophic services, yet that the poorest would be unable to afford.⁵⁰

Less than two months into the 89th Congress, on March 2, 1965, the Ways and Means Committee held a closed session to consider these alternatives. Though few thought any proposal but H.R. 1 would emerge from the session, the committee still had the three seemingly mutually exclusive proposals on the table before it: the Administration's King-Anderson hospital insurance plan, the AMA-backed state-based means-tested Eldercare proposal, and the Byrnes proposal for voluntary insurance for the elderly.⁵¹

Yet after the coalitions supporting each approach formally presented their arguments, Mills "surprised everyone" with the unthinkable – instead of tabling the AMA and Byrnes proposals as was expected, Mills instead suggested combining all three plans into one omnibus bill (in what he called a "three-layer cake") that would provide a mandatory hospital insurance program (now Medicare Part A), a voluntary program for physicians services (the Byrnes plan, now Part B), *and* aid for the poor administered by the states with help from by the federal government (the AMA plan, now known as Medicaid).⁵² Underscoring the ostensibly compromising nature of this

⁵⁰ David, *With Dignity*, 126.; Kooijman, ...*And the Pursuit of National Health*, 165.

⁵¹ Marmor, *The Politics of Medicare*, 64.

⁵² Kooijman, ...*And the Pursuit of National Health*, 166-8.; Marmor, *The Politics of Medicare*, 64.; David, *With Dignity*, 129.; Blumenthal, *The Heart of Power*, 188-9.

combined proposal, Mills dubbed it the “medi-elder-Byrnes” bill when he floated it to the committee.⁵³

This omnibus bill was approved by a party-line vote on the Committee and sent to the House floor. On the floor, Republicans raised a motion to recommit that would have substituted the three-part Mills bill with only the Byrnes provisions. The motion failed by 45 votes, less than the number of freshman Democrats elected that year: Mills’ judgment about the necessity of the 1964 election had been correct. Medicare then passed the House and, after minor modifications, the more liberal Senate on July 9. It finally became law with the President’s signature on July 30.

With these basic historical facts established, I more extensively explore businesses’, Byrnes’, and Mills’ activities in the following sections.

5. Businesses’ Preferences and Strategies

Did businesses play *any* role in Medicare’s passage? Existing literature provides little hint that they did. Vogel argues that Medicare “was not opposed by the executives of large companies”⁵⁴, and few scholarly works on Medicare make much reference to businesses’ role in opposing the program. By contrast, I show that the United States Chamber of Commerce and the National Association of Manufacturers, the two largest and most prominent organizations representing business, industry, and employers’ interests in Washington at the time, in fact actively opposed Medicare.

⁵³ *Executive Session on Medical Care for the Aged*. United States Cong. House of Representatives. Committee on Ways and Means. 2 March 1965. 89th Cong, 1st sess. National Archives, Washington, DC.

⁵⁴ David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989).

First, I show that the Chamber, NAM, and their affiliates were consistent in opposing to medical care for the aged in any form throughout the first half of the 1960s. As Medicare became steadily more popular, these groups increased their oppositional activities in turn, attempting to mobilize their members, friendly politicians, and public opinion against the proposal. Crucially, however, these groups dramatically changed these strategies directly following the 1964 election. Records of meetings held following the Democrats' landslide explicitly record their judgment that the passage of some Medicare program would be inevitable in the coming Congress and that they thus judged the best strategy to be supporting the most limited Medicare program that might pass. Public and private records of these groups' positions after November 1964 reflect this strategy; illustrating the problem of preferences, I show that much seemingly incontrovertible evidence that these groups supported Medicare's passage just prior to it is thus in fact merely the result of their strategic misrepresentations.

Before 1964: The NAM and Chamber's Complete Opposition

The National Association of Manufactures and Chamber of Commerce were both strong and unequivocal in opposing Medicare before the 1964 election, and their reasons for doing so are clear. Nearly any Medicare proposal would have raised taxes with an inevitably large incidence on business profits – in Zelizer's words, Medicare represented “one of the largest tax increases in postwar history”⁵⁵ – and businesses correctly anticipated this. Unsurprisingly, the NAM consequently thus filed feedback

⁵⁵ Zelizer, *Taxing America*.

from their members on the Medicare issue in their file labeled "Taxation."⁵⁶

Both the Chamber and NAM devoted significant resources to making two key arguments to Congress and the public: that Medicare was not needed and that it was too expensive. An information kit the NAM Employee Health and Benefits Committee sent to Association members in January 1960 was typical of this approach: the kit described the details of Medicare plans being considered in Congress, warned that they constituted "an initial step toward a compulsory national health insurance scheme," and denied that the elderly were in need of insurance, writing that "the [NAM Employee Health and Benefits] committee is convinced that the voluntary health insurance business will eventually provide insurance against the cost of medical care to every individual who wants and needs such coverage."⁵⁷ Likewise, in flyers distributed to Association members on the early Forand Medicare proposal, the NAM noted its complete opposition and argued that "a large percentage of our aged population already have health insurance," going on to predict that "in a relatively few short years, most of the aged population who want and need health insurance will have it" without any government action.⁵⁸

As the environment in Washington became more favorable to Medicare in the early 1960s, the NAM increased the volume of its oppositional activities. In 1961 and 1962, the Association began releasing a steady stream of publications continuing the attack on Medicare's main rationale:

⁵⁶ Box 49, NAM Papers, Hagley.

⁵⁷ Medical Care for the Aged Information Kit. January 1960. Box 23, National Association of Manufacturers Papers, Hagley Museum and Library.

⁵⁸ Flyer Against the Forand Bill, 1959?. Box 23, NAM Papers, Hagley.

the NAM distributed pamphlets to businesses in November 1961 arguing that the program was too expensive and not “really needed”;⁵⁹ in May 1962 the Association produced materials explaining why the approach was “not needed and therefore undesirable”;⁶⁰ in June 1962 members of the NAM’s Employee Benefits committee began to give speeches across the country asserting that “reams of statistics” would “refute the proposition that our aged population is financially unable to obtain the medical and hospital care it needs”;⁶¹ and, finally, in 1963 the NAM Health and Benefits committee sent a report to NAM members reiterating its position that “the proper role of the federal government is a simple one: encourage the continued expansion of voluntary health insurance by abandoning the field to private effort.”⁶²

As the Kennedy Administration drew increasingly more public attention to Medicare into 1963, the NAM began its own nationwide campaign to mobilize business owners against the program. The NAM sent weekly legislative bulletins to its members, keeping businesses up to date on the Association’s oppositional activities and asking members to join in: one NAM bulletin noted, for example, that “the NAM is working closely with the Health Insurance Association in an attempt, locally, to counteract the flood of favorable publicity to start the bandwagon rolling” on Medicare and asked members in to write letters to the editor to oppose Medicare to their local

⁵⁹ Medical Care Under Social Security, November 1961, Box 132, NAM Papers, Hagley.

⁶⁰ Industry’s Viewpoint on Medical Care, May 1962, Imprints Collection, Hagley.

⁶¹ Speech by James E. Higgins at Columbia University, 12 June 1962, Box 23, NAM Papers, Hagley.

⁶² “Medical Care, Voluntary or Mandatory?”, NAM Employee Health and Benefits Committee, 1963, Box 132, NAM Papers, Hagley.

newspapers.⁶³ The NAM continued to pursue this ‘local’ strategy well throughout 1964, mobilizing its members at key political moments: as the House was considering a Medicare rider in September 1964, for example, the NAM exhorted its members that “Business action on Medicare is needed now,” asking businesspeople to “contact [their] congressman today, urging that he stand firm in opposition to any” Medicare proposal.⁶⁴

Alongside their pleas to member businesses through such centralized communications, the NAM also directed the efforts of numerous “field staff” stationed across the country to mobilize local business opposition. As late as September 1964, the NAM’s directives to these staff instructed them to help the Association mobilize “MAXIMUM COMMUNICATION” from individual businesses to their Members of Congress to oppose Medicare, exhorting:

“INDUSTRY SHOULD CONTACT ALL MEMBERS OF THE HOUSE IMMEDIATELY URGING THEM TO STAND FIRM IN OPPOSITION TO ANY AMENDMENT TO HR 11865 PROVIDING FOR ANY SORT OF HOSPITAL OR MEDICAL CARE UNDER THE SOCIAL SECURITY SYSTEM.”⁶⁵

Though the Chamber of Commerce’s archives do not record as extensive a grassroots effort, it similarly deployed its resources to building the public case against Medicare through publications distributed to its

⁶³ NAM Bulletin, 7 May 1962, Box 49, NAM Papers, Hagley.

⁶⁴ NAM Memo to Members, 11 September 1964, Box 49, NAM Papers, Hagley.

⁶⁵ NAM Washington Reports, 18 September 1964, NAM Papers, Hagley. The NAM also asked its members to exert particular pressure on Wilbur Mills and the members of the House Ways and Means Committee in particular, especially in wake of what the NAM termed the “baptism of pressure” these key politicians were reporting from “elderly-voter groups and organized labor.” (NAM Bulletin, March 1962, Box 23, NAM Papers, Hagley.). Indeed, even as the Medicare bill lost ground after its 1962 defeat, the NAM told members that it “behooves the opposition to remain informed and active in the interim” because Kennedy and organized liberal groups would continue to raise the issue (NAM Bulletin, July 1962, Box 23, NAM Papers, Hagley); and, throughout 1962 and into 1963, a call to action opposing Medicare continued to command the top headline in the NAM’s weekly legislative updates to its members. (E.g., “Adding health benefits to social security: are there basic conflicts?” June 1963. Chamber of Commerce. Imprints, Hagley Museum.)

members. In 1963, for example, the Chamber published a series of policy briefs questioning the rationale for Medicare, warning that Medicare's costs would spiral out of control in the future and arguing that there was "no crisis" of health care for the aged.⁶⁶

Alongside their member mobilization strategies, national, state, and local leaders in the NAM and the Chamber took their case against Medicare directly to Congress as well, fully opposing the entire concept of state support for the aged's medical care in their Congressional testimony in 1964. Specifically, the NAM and Chamber argued that the crisis of insurance coverage for the elderly was simply a product of a "transitional situation" that would pass without any government action; that over 90 percent of the elderly had some health protection and thus "we do not need social security medicine";⁶⁷ that a "substantial portion of the aged are already covered";⁶⁸ that the entire Medicare approach was "not needed," and that while "some [of the elderly] are needy, most are not";⁶⁹ and that "the proper role of the Federal Government is simple: encourage the continued growth of voluntary insurance coverage and local assistance programs by abandoning the

⁶⁶ "A Memorandum Examining the Issue of, and the Arguments for, Social Security 'Medicare'.", June 1963, Chamber of Commerce, Imprints, Hagley Museum

⁶⁷ *Testimony of Karl T. Schlotterbeck*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

⁶⁸ *Testimony of Leslie J. Dikovics*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

⁶⁹ *Testimony of E. Russell Bartley [of the Illinois Manufacturers Association]*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

field.”⁷⁰ (Despite these groups’ claims, Kerr-Mills had actually failed to provide medical care for the aged and indigent in all but a few states;⁷¹ only 38 percent of the aged nationwide had health insurance coverage of any kind.⁷²)

In short, organized industry’s premier interest groups were totally and unmistakably opposed to Medicare before the 1964 election, as is made clear from their forceful oppositional mobilization. These groups’ publications and statements to Congress also show that organized industry opposed not only the Medicare proposals being considered by Congress in 1964 but also Medicare in any form. The minutes of the NAM Employee Health and Benefits committee’s meeting in May 1963 sum up this view of Medicare when they note that attendees felt “the [Medicare] issue...cannot logically be discussed on the merits”;⁷³ so too does the NAM’s 1964 official “Industry Beliefs” statement adopted by the Association’s board of directors: “protection for the aged against the costs of medical and hospital care should be provided by individual initiative.”⁷⁴ Likewise, the Chamber’s position is summed up well in a harsh statement from their Board of Directors in June 1964, in which they resolved to staunchly oppose “any proposal in which the social security trust fund would pay directly, or through any other agency, for hospital or

⁷⁰ *Statement of the National Association of Manufacturers*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

⁷¹ Marmor, *The Politics of Medicare*, 36-7.

⁷² Hacker, *The Divided Welfare State*, 243.

⁷³ Minutes of the Meeting of the Employee Health and Benefits Committee, 24 May 1963, Box 23, NAM Papers, Hagley.

⁷⁴ NAM 1964 Industry Beliefs, 1964, Box 215, NAM Papers, Hagley.

any other health care services rendered.”⁷⁵

Although one might wonder whether these actions by the leaders of organized industry reflected the will of rank and file businesses, the evidence among the NAM and Chambers’ members suggests that it did: even as the NAM and Chamber were softening their own institutional opposition to Medicare in January 1965, an opinion poll taken by the NAM showed that its members were nearly unanimously opposed to Medicare in any form.⁷⁶

The business interest school’s claim that welfare state expansions occur when businesses support them thus receives no support and much contradiction from evidence taken just months before the program ultimately passed: there is no evidence that any significant industry groups saw it as beneficial for the government to play *any* role in supporting the aged’s medical care, while the opposite is abundantly clear from their activities. Yet the NAM and Chambers’ public tune dramatically changed in the wake of their dramatically weakened political position after the 1964 election.

A Changing Political Environment: 1964 and 1965

Despite their strident opposition to Medicare before the 1964 election, the NAM and Chamber of Commerce began to *overstate their support for the likely outcome* – that is, Medicare – as the political environment grew hostile to their true preferences. Read at face value, many of these groups’ statements and strategies thus ostensibly provide the strong support for the

⁷⁵ Minutes, 26 June 1964, Box 3, Chamber of Commerce Papers, Hagley.

⁷⁶ Public Affairs Report, 27 January 1965, Box 49, NAM Papers, Hagley.

business interest school's thesis that its proponents have discovered directly prior to many other welfare state expansions – and indeed a leading proponent of the business interest school has concluded just this from such evidence.

The NAM After The Election. In late November 1964, the NAM gathered with the leaders of several large American corporations to discuss the next steps in light of Democrats' landslide. The NAM was under no illusions about what the election foretold: "It appears only two members [of the US House Ways and Means Committee] can be depended upon to oppose Medicare," the NAM informed attendees, asking them for suggestions about what to do in this newly "unfavorable" political environment.⁷⁷

The NAM and its allies came to pursue two strategies to account for the new political reality. On the one hand, the NAM recognized that its rank-and-file members were staunchly opposed to Medicare, and continued to urge its members not to take "an attitude of surrender towards Medicare."⁷⁸ It also continued to produce wholly critical publications, including pamphlets warning that Medicare was unnecessary and arguing that it would lead to a compulsory system of care like Britain's.⁷⁹ The NAM likewise persisted in mobilizing its member businesses against Medicare: in February 1965, the NAM warned members: "Members of the House should be hearing industry's

⁷⁷ Meeting of the NAM Public and Private Benefits Subcommittee, 24 November 1964, Box 23, NAM Papers, Hagley.

⁷⁸ *Ibid.*

⁷⁹ "Facts About National Legislative Issues of Importance to All Americans." 1965. Box 23, NAM Papers, Hagley.; "Do We Need Medical Assistance for the Aged Under Social Security?." 1965. NAM, Imprints, Hagley.; "Poverty: The Sick, Disabled, and Aged", US Chamber of Commerce Task Force on Economic Growth on Opportunity, 1965, Imprints, Hagley.

views on the subject. If the volume of communication is heavy enough, House Members might begin lobbying their colleagues on the Ways and Means Committee with good effect” to stop Medicare’s progress.⁸⁰

Yet even as they continued to urge their members to oppose Medicare’s progress, the NAM also recognized that opposition alone was insufficient. The NAM thus decided to support a compromise proposal fielded by their longtime ally Congressman John Byrnes, the Ranking Republican on the House Ways and Means Committee. Byrnes’ proposal, what is now known as Medicare Part B, would have created a voluntary government-sponsored insurance program for the elderly. The NAM “urge[d]” its politically powerful members to back the proposal, for in doing so, the NAM observed, members could “at least” argue “for separate financing of Medicare *if [Medicare’s passage] be inevitable.*”⁸¹ The NAM also revised its official policy platform in the wake of this new position, replacing the sentence “the federal government has no place in an old age assurance program” with language assenting to a “basic” role.⁸²

Though it is clear from this evidence that the NAM’s support for Byrnes’ plan was purely tactical (as was Byrnes’ plan itself, as I will describe in the next section), the NAM’s strategy of support for a more palatable alternative to the Administration’s plan could be easily mistaken for sincere support without attention to the strategic context for this proposal. In fact, a

⁸⁰ Washington Report, 15 February 1965, NAM Papers, Box 216, Hagley.

⁸¹ Meeting of the NAM Public and Private Benefits Subcommittee, 24 November 1964, Box 23, NAM Papers, Hagley. Emphasis added.

⁸² NAM Policy Report, October 1965, NAM Papers, Box 23, Hagley.

theorist in the business interest school has argued just this. In an initial argument about the role of business on Medicare's passage, Peter Swenson points to a letter from M. E. Feary, supervisor of employee benefits at the NAM, who wrote to Byrnes in February 1965 that that "There are five basic factors in your medical program for the elderly that deserve serious consideration by the House Ways and Means Committee and that I personally believe can be strongly supported by industry. None of these appear in the King-Anderson bill." These five factors were that Byrnes' alternative would:

1. be administered by corporate agencies instead of the government;
2. limit a "drain of the public funds" because of free choice of participation;
3. keep financing of the program separate from social security;
4. be contributory, "restraining abuse," and;
5. not be able to grow to excess and provide a force for political uses.⁸³

Swenson interprets this letter as granting support to the theory that Medicare's passage was "hardly a victory of labor and liberals over big business," consistent with the business interest school's interpretation of welfare state development. "There is no evidence for anything like a shift in a "balance of power" against capital," Swenson concludes from the letter,

⁸³ M. E. Feary to John Byrnes. 22 February 1965. Box 29, John Byrnes Papers, Wisconsin Historical Society.

deducing that there rather is thus “suggestive evidence of an *interest* shift” being responsible for Medicare’s passage, consistent with the business interest school’s expectations.⁸⁴

Yet the broader context of the letter makes abundantly clear that this is not so: NAM noted their opposition to Medicare in *any* form throughout this period, both to their members and in private; the letter merely shows that the NAM supported Byrnes’ efforts to pass a version of the program that was less offensive to their interests given that something was likely to pass. Consistent with this, all five of the points Feary listed in his letter are *comparisons to the Administration’s plan* (that is, the likely outcome) rather than to the status quo at the time. This reflects the fact that, as discussed, Byrnes’ proposal was explicitly pitched as the least expansive credible alternative that might pass given the overwhelmingly pro-Medicare political environment.

Fuller strategic context thus gives Feary’s letter significantly different meaning than an ostensibly straightforward reading would extract: it indicates only the NAM’s support for Byrnes’ alternative relative to the likely outcome (the Administration plan), and not relative to the status quo. Simply because M. E. Feary’s letter does not explicitly mention this context as it professes support for Byrnes’ efforts says nothing about whether Feary or the NAM would have supported Byrnes’ legislation relative to the status quo.

Swenson’s misinterpretation of the NAM’s letter illustrates how the

⁸⁴ Swenson, “B is for Byrnes and Business: An Untold Story about Medicare,” *Clio* (June 2006).

problem of preferences renders even ostensibly unambiguous private communications difficult to straightforwardly interpret – actors do not always provide the relevant strategic context in their communications, though such context is essential to accurately identifying actors’ preferences from such evidence.⁸⁵

Chambers of Commerce After The Election. Representatives of the Chamber of Commerce and various subnational Chamber chapters also took a newly softened stance to Congress that might be mistaken for sincere support. Whereas in testimony before the 1964 election industry representatives remained monolithically opposed to providing additional assistance to the elderly in any form and argued that they would receive adequate health coverage under the status quo (see the previous subsection), after the election the national Chamber publicly accepted the premise that a program was needed and began to argue with Congress over the details of what should pass.

Largely acceding to the premise that Congress would pass a health insurance coverage for the aged, most Chamber chapters argued that the best solution would be a simple increase in cash benefits for the elderly instead of the creation of a government medical program. The New York Chamber of Commerce, for example, stressed that they “support[ed] and urge[d] approval by Congress” a “general increase in cash benefits” because

⁸⁵ For example, if one were to write a letter to one’s dentist requesting a less painful version of a root canal procedure, a third party reading the correspondence would not be justified in concluding that one would actually enjoy the surgery – the context is understood by both parties without being stated.

it was “the preferable answer to the problem of health and medical costs” among the aged.⁸⁶ Likewise, the Council of State Chambers of Commerce went on the record before Congress in a statement endorsed by state chambers’ of commerce in more than half of US states as “opposed in principle to providing, as a matter of right, services as distinguished from cash benefits under the Social Security Act” and thus pledging its support for a cash-transfers-based approach to the problem.⁸⁷ The national Chamber similarly registered its opposition to government administration of health care services, calling the idea “unsound,”⁸⁸ while a representative from the Greater Philadelphia Commerce and Industry Council similarly told Congress that “the bill should encourage the retention of plans presently sponsored by employers or carried by individuals,” instead of erecting a new government program.⁸⁹

Yet in none of their statements did these Chamber representatives contest the basic new political premise that state assistance to the elderly

⁸⁶ *Testimony of Mark E. Richardson*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May – 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

⁸⁷ *Testimony of Leslie J. Dikovics*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May – 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

⁸⁸ *Testimony of Karl T. Schlotterbeck*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May – 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

⁸⁹ *Testimony of George L. Cullen*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May – 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

should be provided in some fashion, while many even professed support for government action – even though bitterly opposing these claims was their central strategy just months before. This change again shows how the ‘problem of preferences’ might confound historical inference if a scholar considered only statements made in 1965.

For example, Leslie J. Dikovics with the Council of State Chambers of Commerce had argued in 1964 that a “substantial portion of the aged are already covered”, that the “American system of voluntary health insurance has done and is doing much to reduce the health care cost problem for millions of our aged citizens,” and therefore that any government federal government action would be unnecessary.⁹⁰ Yet only a few months later, after the 1964 election, Dikovics pledged support for the idea that “full and complete medical care should be provided those aged members of our society who cannot reasonably pay for such care themselves” and indeed asked Congress to “improve the medical assistance for the aged program” through increased cash benefits.⁹¹

Similarly, Karl T. Schlotterbeck with the national Chamber of Commerce had argued in 1964 that support for the elderly’s medical costs was “not needed” as more than “90 percent” of the elderly already had adequate medical care and nearly the rest would have access to this care

⁹⁰ *Testimony of Leslie J. Dikovics*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

⁹¹ *Testimony of Leslie J. Dikovics*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May - 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

soon; the problem was “transitional” and “of decreasing proportions,” according to Schlatterbeck in 1964, and therefore could be expected to go away on its own.⁹² Yet in 1965 Schlatterbeck noted that “the national chamber agrees that some of the retired elderly have a problem of paying for needed hospital and related care” and argued that cash benefits were the best way for the federal government to accomplish this goal.⁹³

Table 2. Selected National Association of Manufacturers and Chamber of Commerce Statements Before and After November 1964

Date	Business Position
Before November 1964	
June 1962	NAM distributes pamphlets to businesses arguing that the Medicare was “not needed and therefore undesirable.” Employee Benefits Committee members give speeches claiming that “reams of statistics refute the proposition that our aged population is financially unable to obtain the medical and hospital care it needs.”
May 1963	NAM Employee Health and Benefits committee attendees register that “the [Medicare] issue...cannot logically be discussed on the merits.”
June 1963	Chamber of Commerce publishes policy briefs questioning the rationale for Medicare, arguing that there was “no crisis” of health care among the aged.
January 1964	Karl T. Schlatterbeck of the national Chamber of Commerce testifies to Congress that “we do not need social security medicine,” accompanied an official statement from the NAM itself that “the proper role of the Federal Government is simple: encourage the continued growth of voluntary insurance coverage and local assistance programs by abandoning the field.” Leslie J. Dikovics of the Council of State Chambers of Commerce testifies that “a substantial portion of the aged are already covered.”
September 1964	NAM directs field staff to mobilize “MAXIMUM COMMUNICATION” to Congress to oppose Medicare, accompanied by a statement of “Industry Beliefs” adopted

⁹² *Testimony of Karl T. Schlatterbeck*. United States Cong. House of Representatives. Committee on Ways and Means. *Hearing on Medical Care for the Aged*. 22 - 24 Jan. 1964. 88th Cong, 2nd sess. Washington: Government Printing Office, 1964.

⁹³ *Testimony of Karl T. Schlatterbeck*. United States Cong. Senate. Committee on Finance. *Sessions on H.R. 6675*. 10 May - 19 May 1965. 89th Cong., 1st sess. Washington: Government Printing Office, 1965.

	by the Board that “protection for the aged against the costs of medical and hospital care should be provided by individual initiative.”
After November 1964	
Late November 1964	NAM “urges” its politically powerful members to back Byrnes’ Medicare proposal, what ultimately became Medicare Part B.
February 1965	NAM tells Byrnes that his alternative proposal could “be strongly supported by industry.”
May 1965	Schlotterbeck of the national Chamber of Commerce tells Congress that “the national chamber agrees that some of the retired elderly have a problem of paying for needed hospital and related care” and argues that an increase in cash benefits is the best way to accomplish this goal.
May 1965	Dikovics of the Council of State Chambers of Commerce pledges support for the idea that “full and complete medical care should be provided those aged members of our society who cannot reasonably pay for such care themselves” and asks Congress to “improve the medical assistance for the aged program” through increased cash benefits.

Table 2 presents a representative selection of business’ statements before and after the decisive November 1964 election to help illustrate this shift in their expressed preferences. Examining business’ statements and strategies from after the election alone underscores how easily the problem of preferences can be overlooked. How much more unambiguous can one be, a scholar could argue, than when the Council of State Chambers of Commerce explicitly asked Congress to “improve the medical assistance for the aged program”? Yet fuller historical context shows that industry’s stated support was a reflection of its understanding that some program would pass: the historical record documents these groups’ appraisal of the environment after the election as markedly more “unfavorable” to their interests as well as their rapid shift in position following it given that they deemed the

program's passage "inevitable."⁹⁴ Taking evidence from this latter period at face value, even when it is drawn from private sources (as Swenson did with Feary's letter), would thus lead one to substantially misinterpret organized industry's true preferences, and hence to misidentify their degree of influence and power as well.

Of course, this evidence regarding the Chamber's and the NAM's behavior does not necessarily speak to all businesses' interests or preferences at the time; as recent work has cautioned us, scholars often too readily elide the distinction between certain prominent businesses' interests and "business interests," and those who chose to join these business associations may not be representative of all businesses.⁹⁵ However, the Chambers and the NAM were widely recognized as the banner interest groups representing businesses' preferences at the time,⁹⁶ the archives do not record any other business groups as being nearly as active on the issue, and, as discussed, these groups' rank and file members appeared to support their actions. There is also no evidence that these groups were more hostile to Medicare than other, less prominent business actors were at the time. Nonetheless, it should be kept in mind that these groups were not necessarily representative of all businesses' views.

6. Byrnes, Businesses, and Part B: "Opposition to Medicare Is Not

⁹⁴ Meeting of the NAM Public and Private Benefits Subcommittee, 24 November 1964, Box 23, NAM Papers, Hagley.

⁹⁵ E.g., David M. Hart. "'Business' Is Not An Interest Group: On the Study of Companies in American National Politics." *Annual Review of Political Science* 7 (2004): 47-69.; Martin, *Stuck in Neutral*.

⁹⁶ E.g., Marmor, *The Politics of Medicare*, 18.

Enough”

Though it may seem obvious to remark that politicians often misrepresent their preferences in public, in this section I explore how politicians’ seemingly clear private actions and statements can still be quite easily misinterpreted without careful attention to their strategic context.

As the Chairman and Ranking Member of the House Ways and Means Committee, few people in Washington were in a better position to shape Medicare’s final passage than were Wilbur Mills and John Byrnes, and indeed both deserve great credit for crafting significant aspects of the sizeable social welfare program that Medicare still is today (albeit inadvertently on Byrnes’ part). Yet both men were also among businesses’ most dependable allies in Congress, raising the question of whether these unimpeachably pro-business politicians might have *anticipated* businesses would develop support for Medicare *after* its passage despite their clear opposition at the time. Indeed, Swenson argues that businesses have provided such retroactive support in numerous historical instances and that the anticipation of such retroactive support is often responsible for the pattern that pro-business politicians frequently voice support for welfare state expansions in the cases when businesses have actively opposed them.⁹⁷ Thus, even if one accepts that the NAM and the Chamber of Commerce were truly opposed to Medicare in 1965, the business interest school might counter that business interests were still responsible for the program’s passage because Byrnes or Mills expected that Medicare would be good for business and “ultimately

⁹⁷ See Swenson, “Varieties of Capitalist Interests,” 22.

accepted [by business] as such.”⁹⁸

In this section I show that this argument receives no support from the historical record, but that again much historical evidence could be easily misread in favor of it. Instead, the historical evolution of Byrnes’ position on Medicare makes clear that he and the Republicans did not truly favor his Part B proposal over the status quo, though they stridently claimed to support it as a part of their political strategy. Indeed, the historical record chronicles Byrnes’ explicit view that Part B was borne out of political strategy alone, verifying what an analysis based on the historical evolution of his views and tactics imply.

There are a number of compelling reasons to expect that Byrnes would act in accordance with businesses’ dominant interests on the Medicare issue. The NAM had long provided substantial support to the campaigns Republican Members in Congress through both financial contributions and in the form of grassroots efforts by association members to re-elect Republicans.⁹⁹ In the context of Medicare, as reviewed in the last section, Byrnes had also closely coordinated with the NAM throughout the program’s consideration by Congress.

What then of the possibility that Part B was not Byrnes’ best attempt to limit Medicare’s size but in fact a program that he genuinely supported because he believed that businesses would too?

Byrnes’ private memoranda constitute the firmest demonstration that

⁹⁸ Swenson, “B is for Byrnes and Business,” 6.

⁹⁹ NAM Political Files, Box 5, NAM Papers, Hagley.

his 1965 proposal should be read as nothing but reluctant acquiescence. The evolution of the positions Byrnes took as the political climate changed illustrates how strategic circumstances are crucial to how political actors choose to represent their preferences.

Echoing the Chamber of Commerce and National Association Manufacturers' strategies before the 1962 election, Byrnes advised his Republican colleagues that it would be "of use" in their "campaign for re-election" to spread the message that Kennedy's Medicare program was "not necessary" since "at the present over 75 percent of the entire civilian population - young and old - have some type of health insurance. By 1970, it will be 90 percent."¹⁰⁰ (Of course, this was false.) In November 1963, Republicans' strategy remained largely the same: the Assistant council to Republicans on the Ways and Means Committee, David West, wrote to Byrnes that even as Medicare was becoming more popular among the public, he felt it would be best for Republicans to continue their strategy of proposing small changes to the state-based Kerr-Mills framework to limit demand for a larger program, exactly what Byrnes did.¹⁰¹

Yet, as political pressure to pass Medicare mounted following Kennedy's assassination and Johnson's ascendancy, some rank-and-file Republicans began to file bills that went beyond the Kerr-Mills framework. The response from Byrnes' office was clear disapproval. West reprimanded

¹⁰⁰ Dear Colleague Letter, 1 October 1962, box 32, John Byrnes Papers, Wisconsin Historical Society.

¹⁰¹ David West to John Byrnes, 18 November 1963, box 34, John Byrnes Papers, Wisconsin Historical Society.

Republican members of the committee in a February 1964 memo, tersely writing: “The introduction of such bills constitutes at least an implied admission that existing laws are inadequate. If the trend toward the introduction of such bills continues, it may be impossible for the Ways and Means Committee not to take some action in this area.”¹⁰² Reflecting this strategy, Byrnes also continued to argue that the Kerr-Mills approach was sufficient and that medical care for “all the aged, irrespective of need” would be economically infeasible.¹⁰³

After the 1964 election, however, Byrnes’ strategy changed dramatically. Only then did Byrnes draft the Republican alternative largely resembling what is now known as Medicare Part B. The plan allowed seniors to voluntarily sign up for a federally-run government insurance plan that would cover not only hospitalization but also routine doctor’s visits and other similar non-catastrophic services, yet that the poorest would be unable to afford.¹⁰⁴

Table 3. The Evolution of Byrnes’ Strategies, 1962-1965

Date	Byrnes Position
Fall 1962	Urges Republicans to claim that by 1970 over 90 percent of the population young and old will have insurance so any further changes are “not necessary.”
Fall 1963	Seeks to expand the Kerr-Mills program in order to “postpone or frustrate the effort to enact the King-Anderson bill.”
Spring 1964	Advocates proposal to raise minimum social security benefits slightly to help defer the cost of medical care, without explicitly earmarking funds for medical care as such. Argues

¹⁰² Memo from David West, 3 February 1964, Box 34, John Byrnes Papers, Wisconsin Historical Society.

¹⁰³ John Byrnes to John Reynolds, 18 September 1964, Box 34, John Byrnes Papers, Wisconsin Historical Society.; Reminiscences of John Byrnes, 1967, Butler Library Oral History Collection, Columbia University.

¹⁰⁴ David, *With Dignity*, 126.; Kooijman, *...And the Pursuit of National Health*, 165.

	that offering medical care for the aged irrespective of need is economically infeasible.
Fall 1964	Argues that government should support the purchase of voluntary private health insurance plans through tax credits and deductions of premiums from income taxes.
Spring 1965	Tells Republicans: "Opposition to Medicare is not enough." Proposes opt-in federally-run insurance plan for doctor's visits.

Table 3 summarizes this evidence, drawn entirely from Byrnes' own records and statements. Though this evolution of Byrnes' strategies before and after the election merely strongly suggest that his Part B proposal was not his true preference, Byrnes' papers and oral history interviews *explicitly indicate* that this was the case. In fact, Byrnes fully admitted that the measure was not warranted on policy grounds, he thought it "incumbent upon Republicans to offer a sound alternative" plan so that Republicans could attack politically "vulnerable" aspects of the Administration's proposal. Byrnes also hoped that once his plan was inevitably rejected, the Republicans would at least have a "we-told-you-so advantage" in the event that any aspect of Medicare's implementation went poorly. "Opposition to Medicare is not enough," Byrnes thus wrote in a memo to Republicans in January 1965, "It is incumbent upon the Republicans to offer a sound alternative."¹⁰⁵ William Quealy, the Republican staff counsel on the Ways and Means Committee (and thus Byrnes employee) similarly urged the move as he told the Republican committee members that they needed to "face political realities."¹⁰⁶

As Byrnes later reflected, he had realized that "the discussion stage"

¹⁰⁵ Reminiscences of John Byrnes.

¹⁰⁶ Marmor, *The Politics of Medicare*. 63.

was “over” after the election, recalling that: “the 1964 election...created the situation where *it was clear that apparently there were votes enough to pass it*. ... All you had to do was read the election results in a sense to recognize that the big increase in Administration-elected members of the House meant that *they would have the votes to pretty much put through something*. ... It was perfectly apparent that the truck was on the road and it was all gassed up and going. ... *The politics of the thing dictated that there was going to be passage of a federal program.*”¹⁰⁷

Byrnes’ statements at the time and later recollections thus verify that his Part B proposal was exactly what the historical evolution of his actions implies: merely an effort to offer a less expansive political “substitute” to the Administration’s proposal given unfriendly political circumstance. A journalist at the time thus recorded that Byrnes’ plan was:

“generally dismissed as a political grandstand play, and Byrnes himself privately conceded that the bill had no chance. ... Although the Republicans might have no hope of getting the measure through Congress, they could be counted on to use it later as an example of how they had been trying to take care of old people when the Democrats betrayed them with a halfway piece of legislation.”¹⁰⁸

Moreover, Mills’ surprise move of including the Byrnes provisions in the “three-layer cake” took Byrnes himself completely off guard and cannot be read as a Byrnes coup. The move left Byrnes “stunned” according to those present: one observed noted that Byrnes “just sat there with his mouth open” after Mills’ move, and Byrnes himself later told a journalist that Mills’

¹⁰⁷ Reminiscences of John Byrnes.

¹⁰⁸ Harris, *A Sacred Trust*. 181, 186.

move was “quite a surprise” to him.¹⁰⁹ Indeed, as Mills had hoped, the minutes of the closed session, released only recently, show that Byrnes attempted but had difficulty forming a coherent argument against the combination bill since it contained the very ideas he had been strategically championing.¹¹⁰ Once the meeting ended and news leaked to the press, the AMA was “horrificed;”¹¹¹ after spending more than \$900,000 to advertise the Administration’s bill’s inadequacy, their own advocacy had been turned against them to create a plan more far-reaching than any had realized was possible.¹¹²

Mills thus harnessed Republicans’ claims that the administration-backed hospital insurance proposal was inadequate to fashion a bill that was “unassailable *politically* from any serious Republican attack” in the Administration’s estimation.¹¹³ HEW Secretary Wilbur Cohen likewise called Mills’ move “one of the most skillful political maneuvers [he’d] seen in thirty years,”¹¹⁴ since, as he gloated to the press a year later, “The doctors couldn’t complain, because they had been carping about Medicare’s shortcomings and about its being compulsory. And the Republicans couldn’t complain, because it was their own idea. In effect, Mills had taken the AMA’s

¹⁰⁹ Harris, *A Sacred Trust*, 187-8.

¹¹⁰ *Executive Session on Medical Care for the Aged*. United States Cong. House of Representatives. Committee on Ways and Means. 2 March 1965. 89th Cong, 1st sess. National Archives, Washington, DC.

¹¹¹ David, *With Dignity*, 131.

¹¹² Marmor, *The Politics of Medicare*, 63.; An AMA official commented “I never thought we’d end up spending several million dollars in advertising to expand the bill.” (Harris, *A Sacred Trust*, 188.)

¹¹³ Marmor, *The Politics of Medicare*, 64. Emphasis added.

¹¹⁴ Transcript, Lawrence F. O’Brien Oral History Interview XI, 7/24/86, by Michael L. Gillette, Internet Copy, LBJ Library.

ammunition, put it in the Republicans' gun, and blown both of them off the map."¹¹⁵ LBJ's legislative aide Larry O'Brien similarly remembered that "[Mills' move] didn't *eliminate opposition*, but suddenly you're looking at a piece of legislation that effectively *rebutted these claims* made over the years of ineffectiveness."¹¹⁶ Other Administration officials commented that with the move the opposition was "outfoxed,"¹¹⁷ that "the wind was taken out of [their] sails,"¹¹⁸ and that it had left Democrats completely "off the hook" politically.¹¹⁹ Mills himself recalled that Byrnes had thus "painted himself into a corner,"¹²⁰ while LBJ referred to Mills as having "stole[n]" the provision from Byrnes.¹²¹ As Johnson would later crassly observe, Mills thus left the AMA and Byrnes "knee-deep in their own shit."¹²²

Within the context of Byrnes' previous actions and the changing political climate there is thus strong evidence Byrnes' 1965 proposal was *only* intended to limited Medicare's scope as much as possible, even though this was not its ultimate effect. In light of Byrnes' prior public statements before the 1964 election and his private admissions at the time, there is little reason to believe that Byrnes' 1965 actions and statements came from a position of sincerity.

¹¹⁵ Harris, *A Sacred Trust*. 187.

¹¹⁶ Transcript, Lawrence F. O'Brien Oral History Interview XI, 7/24/86, by Michael L. Gillette, Internet Copy, LBJ Library. (emphasis mine).

¹¹⁷ Transcript, Douglass Cater Oral History Interview, 5/26/74, by David G. McComb, Internet Copy, LBJ Library.

¹¹⁸ Transcript, Lawrence F. O'Brien Oral History Interview XI, 7/24/86, by Michael L. Gillette, Internet Copy, LBJ Library.

¹¹⁹ Wilbur J. Cohen to Jack Valenti, 4 March 1965, Ex LE/IS, box 75, LBJ Library.

¹²⁰ Harris, *A Sacred Trust*, 190.

¹²¹ Recording of Conversation between Lyndon B. Johnson and Wilbur Cohen, 11 March 1965, Citation #7141, Recordings of Telephone Conversations - White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

¹²² Kooijman, *...And the Pursuit of National Health*, 178.

Note, however, that one would completely mistake Republicans' true preferences by considering only Byrnes' actions just prior to Medicare's passage: Byrnes directed his efforts towards advocating several alternative proposals to Medicare with business support for his efforts; and, Republicans nevertheless overwhelmingly voted for the final bill. Indeed, Swenson claims that Mills "jumped" on Byrnes' idea lest the Administration's proposal be rejected and Byrnes' proposal be substituted in its place on the House floor. The inclusion, Swenson thus argues, illustrates a "cross-class alliance" without which the bill would not have passed.¹²³ Yet the facts Swenson identifies provide no evidence for his assertions when these actors' strategic contexts are fully taken into account, an interpretation that Byrnes' explicit statements confirm.¹²⁴

Byrnes' memoranda thus further illustrate how even private materials can be subject to the problem of preferences and the resulting difficulty in interpretation. Just as industry groups expressed more support in any form for Medicare after political circumstances forced their hand, Byrnes only supported Medicare after November 1964. This evolution is not surprising

¹²³ For more on the concept of a cross-class alliance, see Mares, *The Politics of Social Risk*.

¹²⁴ As a coda to this discussion, one might argue that Mills was forced to include Byrnes' Part B idea in order for the bill to pass, even if Byrnes had not intended to assist Medicare's passage. However, as documented exhaustively, the 1964 election left no doubt that the Administration's bill, King-Anderson, was sure to pass. Even on the very day Mills was about to execute his "three-layer cake" coup, LBJ was expressing his confidence to his Vice President, Hubert Humphrey, that the Administration's King-Anderson bill would easily pass in its current form. (Recording of Conversation between Lyndon B. Johnson and Hubert Humphrey, 2 March 1965, Citation #7024, Recordings of Telephone Conversations - White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.) The minutes of the committee's fateful meeting on March 2, 1965 similarly contain no hint that Byrnes was anything but sharply displeased that Mills co-opted his provisions. (*Executive Session on Medical Care for the Aged*. United States Cong. House of Representatives. Committee on Ways and Means. 2 March 1965. 89th Cong, 1st sess. National Archives, Washington, DC.)

given what transpired in American politics during these years; however, it does illustrate how misleading each of these private statements might be in isolation, no matter how clear they might appear (such as Byrnes' full-throated endorsement of his Part B proposal in a closed session of the Ways and Means Committee (just prior to his horror that Mills superficially accepted it)). In concluding, to paraphrase Byrnes himself, political actors often find that it is not the best strategy to simply oppose that which one opposes.

7. Wilbur Mills' Two Constituencies

Despite businesses' and the Republican's own clear opposition to Medicare, Wilbur Mills' impeccable pro-business credentials ostensibly lend circumstantial evidence to the claim that organized industry's allies in Congress thought they might ultimately come to support Medicare: after all, Mills was as reliably friendly with businesses as any Member of Congress and appears essentially solely responsible for the Medicare bill's dramatic expansion in scope in March 1965. Yet Mills' papers paint a much more complicated picture about his relationship with businesses on this issue.

Before 1965, Mills' reputation in general and with organized industry was primarily based on his stance on taxes, a natural role for the Chairman of the Ways and Means Committee. In this regard, Mills defined himself as a tax cutter and reformer: Time Magazine featured Mills on its cover in January 1963 for a story about his proposal to overhaul the tax code and reduce federal taxes, after which numerous businessmen wrote him to congratulate

him on the publicity and laud his continuing efforts.¹²⁵ Mills also routinely gave interviews to business publications to promote his tax cutting proposals, such as for an article in *National Business Magazine* in August 1964, “Wilbur Mills Talks on Taxes.”¹²⁶

Yet despite his close relationship with organized industry, Mills’ papers imply that he did not view businesses as an ally for Medicare’s passage. Specifically, the content of remarks he made to meetings of numerous business groups in Arkansas shed light on his own understanding of these groups’ priorities and opinions.

Mills’ preparations for a speech he gave in January 1962 to the Arkansas Chamber of Commerce typify the Congressman’s approach. One of Mills’ aides wrote a first draft of the speech touting the limited Kerr-Mills program and claiming that it had already made “remarkable” progress. Yet Mills himself decided to cut the reference in the final version of the speech, and did not mention health benefits at all in his lengthy remarks about various proposals pending before Congress.¹²⁷ Likewise, in numerous speeches before the 1964 election to local chambers of commerce and to the management of local corporations, Mills spoke at great length about the many proposals he expected to champion in the following Congress but

¹²⁵ “The Congress: An Idea On The March.” *Time Magazine* 11 January 1963. See associated correspondence in Box 277, Wilbur Mills Papers, Bailey Library, Hendrix College.

¹²⁶ “Wilbur Mills Talks On Taxes.” *National Business Magazine* August 1964. Box 410, Wilbur Mills Papers. For more on Mills and his relationship with business, see Zelizer, *Taxing America*.

¹²⁷ Materials for Speech for the Arkansas Chamber of Commerce on January 1962. Wilbur Mills Papers, Box 784.

never once raised the issue of Medicare with these audiences.¹²⁸ Indeed, in all of Mills' many speeches to business groups in 1964, the one speech that appears to reference Medicare even indirectly occurred after the election, in December, when Mills spoke to the Paragould Chamber of Commerce. Yet even then, Mills only generally commented that while there were many "worthwhile priorities" that the following year's Congress would consider, among which Medicare was one of many, he did not believe that government should use the power to tax to support priorities merely because they were desirable.¹²⁹

Perhaps even more indicatively, even after Medicare passed, Mills' apparent assessment of businesses' support for the combined three-part policy he crafted appeared to remain similar. In speeches in November 1965, Mills travelled across Arkansas to visit local Chambers of Commerce and claim credit for the many proposals he had shepherded through the Ways and Means Committee during the historically productive 89th Congress. Yet despite these speeches' great length and scope, Mills consistently declined to claim credit for Medicare's passage in front of businessmen,¹³⁰ despite the fact that most would single out the program as the signature achievement of his legislative career.

In fact, I only found one exception to Mills' tendency to avoid

¹²⁸ E.g. Speech for the Heber Springs Chamber of Commerce, Box 590, Wilbur Mills Papers.; Speech for the Associated Wholesale Grocery, Box 591, Wilbur Mills Papers.

¹²⁹ Speech for the Paragould Chamber of Commerce, Box 600, Wilbur Mills Papers.

¹³⁰ See Speech to Little Rock Jr. Chamber of Commerce on November 4, 1965, and Speech to Arkansas State Chamber of Commerce, November 10, 1965, among others, Box 658, Wilbur Mills Papers.

discussing his position on Medicare with businesses in his papers, an example which further reinforces this argument. In January 1965, right after Johnson had announced that Medicare was his top legislative priority in the coming Congress, Mills devoted only one paragraph to Medicare in a speech to the Chamber of Commerce of West Memphis, Arkansas. In it, Mills *distanced* himself from the proposed plan, being careful to note that the proposal came from Johnson and feigning ignorance about how the Ways and Means Committee would receive the Administration's proposals.¹³¹

Yet even as Mills eschewed discussing Medicare with businesspeople in his district, he spoke of it quite readily and frequently when among another group of his constituents – the elderly. When speaking to a Kiwani's convention in Arkansas in September 1964, for example, Mills sought to deflect criticism that he had opposed Medicare's passage in 1964, referring to his "deep concern ... over using the [OASDI] system for financing a medical or hospital care program" but stressing that he believed the program was necessary and would pass.¹³² Similarly, he told the Lion's Club on December 2, 1964 that "we are not in a contest of wills among responsible persons or agencies about whether the aged need adequate health benefits."¹³³

Table 4. Mills' Position on Medicare, 1962-1965, Across Audiences

Date	Audience	Mills Position
To Business Groups		
January	Arkansas	Cuts reference to Kerr-Mills program in

¹³¹ Speech to the West Memphis Chamber of Commerce on January 15, 1965, Box 782, Wilbur Mills Papers.

¹³² Speech to the Kiwani's Convention, September 28, 1964. Box 592, Wilbur Mills Papers.

¹³³ Speech to the Lion's Club, December 2, 1964, Box 600, Wilbur Mills Papers.

1962	Chamber of Commerce	speech, does not mention Medicare in lengthy legislative update despite his central role in ongoing negotiations.
October 1964	Local Chambers of Commerce; management of local grocer	Spoke at great length about the many proposals he expected to champion in the following Congress but never elected to discuss Medicare despite its central role in the ongoing Presidential campaign.
December 1964	Paragould Chamber of Commerce	Said that LBJ supported many “worthwhile priorities,” including Medicare, but disavowed belief that government should use power to tax to support such priorities merely because they were desirable.
January 1965	West Memphis Chamber of Commerce	Distances himself from proposed plan, noting that the Medicare was Johnson’s proposal and feigning ignorance about how the Ways and Means Committee would act on it.
November 1965	Local Chambers of Commerce	Claims credit for many proposals passed during the historically productive 89 th Congress, though never claims credit for Medicare in front of businessmen.
To Elderly Groups		
September 1964	Kiwanis Convention	Stressed his belief that Medicare was necessary in some form and would pass; claimed that his prior opposition was due to technical concerns that could be overcome.
December 1964	Lion’s Club	“We are not in a contest of wills among responsible persons or agencies about whether the aged need adequate health benefits.”

Such patterns, summarized in Table 4, have clear implications for inferences about Mills’ own perceptions of the political economy of Medicare. Mills did defend his reputation on Medicare in front of the elderly, but among businessmen never elected to discuss the issue much less emphasize his support.

Though this evidence alone does not necessarily indicate that Mills thought all businesses were opposed, it does suggest that most businesses

were *at best* indifferent in Mills' estimation. In concert with the evidence from the previous sections and what we know about Mills' very close relationship with business groups,¹³⁴ however, Mills' reticence on the Medicare issue in front of businesses in Arkansas paints the picture of a politician trapped between one of his most powerful and core constituencies and a political tidal wave in the US House and among the public. It is no surprise that the NAM chose, of all figures, to ask its members to reach out to Mills in particular during key moments in the Medicare fight – he had always proven to be their dependable ally. Yet businesses' opinion could not wholly determine his actions.

Mills' actions stand in striking contrast to what the business interest school would assert; Mills did and said little that would suggest that he saw organized industry as a potentially supportive constituency for Medicare, while the evidence implies much the opposite. There is no evidence that Mills expected to be able to cultivate business support for Medicare, either. Were Mills asked to provide his view on the business interest school, his behavior implies that he would almost certainly be a strong skeptic.

More broadly, Mills' actions also illustrate another way that researchers can identify how political actors' strategic context shapes their expressed preferences: by tracing how their actions change *across strategic contexts within time* (in addition to over time). Exploring how strategic context within time mediates the policy preferences actors claim to have can thus yield crucial insight into their perceived strategic environment.

¹³⁴ See Zelizer, *Taxing America*.

8. Conclusion: Business and the Welfare State

This paper presented evidence that Medicare's passage cannot be well explained by changes in businesses' interests. While a traditional power resources account well explains the observed pattern – a considerable decline in the political power held by organized industry's main allies brought about by the election of 1964 – there is no evidence for a shift in businesses' interests or these interests' importance, empirically or theoretically, between the early 1960s and when Medicare passed in 1965. The nation's banner organized business groups behaved as many scholars would predict¹³⁵ on an issue of such high salience to which they were so clearly opposed: by enlisting local businesspeople to lobby their Members of Congress and endeavoring to turn public opinion against the measure.

They were not successful. Indeed, in stark contrast to what the business interest school would predict, what is perhaps most remarkable about politicians' behavior on the Medicare issue is how *indifferent* key actors appeared to organized industries' preferences. Consider, for example, Wilbur Mills' words when speaking privately with LBJ about his three-pronged proposal. Mills said the following with regards to the insurance industry, one of the most powerful lobbies in Washington:

Don't you worry one minute about these doctors and insurance companies organizing against this bill. We have written the insurance people, we must admit, completely out of the bill for people over 65. ...the insurance people are going to oppose it, there's no doubt about that. They were going to oppose HR 1.

¹³⁵ E.g., Smith, *American Business and Political Power*, 10-11.; Pepper D. Culpepper, *Quiet Politics and Business Power* (Cambridge, 2011).; Martin, *Stuck in Neutral*.

They were going to oppose anything we did.¹³⁶

Of course, this quote from Mills does not refute the claim that he acted in capitalist interests more broadly sometimes or even frequently – as mentioned, Mills frequently courted business support through a variety of means. Yet it does illustrate how brazenly Mills was willing to abrogate the clear preferences of this powerful interest group, seemingly in favor of what he perceived as the public's demands.

Johnson's strategy for coping with organized interests who were opposed to Medicare was even more aggressive: Johnson largely reacted to interest group opposition by asking that the proposal be rushed through the House before opponents had time to mobilize opposition, and did not focus on how to address their concerns, much less how to achieve their ideal.¹³⁷ In fact, when LBJ asked his legislative aide Cohen how insurance companies had reacted to Mills' three-pronged proposal and Cohen told him they would "raise hell", LBJ only replied with a general "I think that's wonderful" before changing the subject.¹³⁸ LBJ was somewhat less blasé about industry and the medical profession's opposition, simply telling Mills: "for God's sake...when you get [the bill] out of that committee, you call that son of a bitch up before

¹³⁶ Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 11 March 1965, Citation #7141.

¹³⁷ LBJ asked Wilbur Cohen "Please get a rule [to report the Mills bill to the House floor] just the moment they can. You just tell them not to let it lay around, do that. They want to but they might not. Then that gets the doctors organized, then they get the others organized, and they damn near killed my education bill when they lay around. It stinks. It's like a dead cat on the door when the committee reports you better either bury that cat or get it some life in it." (Recording of Conversation between Lyndon B. Johnson and Wilbur Cohen, 11 March 1965, Citation #7141, Recordings of Telephone Conversations – White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.)

¹³⁸ *Ibid.*

they can get their letters written,” then asking Mills to give the phone to Democratic Majority Leader Carl Albert so that the President could also exhort him to schedule a vote on the bill as soon as possible “before they can generate opposition to us.”¹³⁹

Even more remarkably, Johnson’s telephone calls also record the President schooling the Vice President on Congressional relations, and thus give Johnson’s own perspective on how he approached shepherding these proposals through Congress. In his advice to Humphrey, Johnson discussed the importance of bringing a record of accomplishment to the voters and taking advantage of labor union support, though Johnson never referenced currying, harnessing, or featuring business support for any Great Society programs or other administration priorities. In fact, Johnson even used the very example of National Association of Manufacturers and Chamber of Commerce opposition to his social programs as an example of when to be *tough* in response to interest groups’ demands, telling Humphrey that he had threatened the NAM and Chamber by telling them that if they tried to “cut the guts out of my program ... I’ll cut the guts out of yours.”¹⁴⁰

In light of this evidence it becomes quite difficult to assume that politicians will reliably avoid “legislation that antagonizes large number of

¹³⁹ Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 11 March 1965, Citation #7141, Recordings of Telephone Conversations – White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.; Recording of Conversation between Lyndon B. Johnson and Carl Albert, 11 March 1965, Citation #7141, Recordings of Telephone Conversations – White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

¹⁴⁰ Recording of Conversation between Lyndon B. Johnson and Hubert Humphrey, 2 March 1965, Citation #7024, Recordings of Telephone Conversations – White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

capitalists able to fund a massive counteroffensive.”¹⁴¹ In their very own judgment, LBJ and Mills consciously chose to do just this.

Of course, despite Medicare’s substantive importance, this paper has only examined one particular program in one particular context, so the usual caveats about its potential generalizability of course apply. However, as the United States political system has typically been considered to be among the most favorable towards businesses’ interests, my results may suggest that the business interest thesis may meet even greater difficulty in other contexts.

Given that the American political system is usually considered quite favorable towards businesses’ interests, what can we learn about the American welfare state from Medicare’s case? Though it is beyond the capability of this paper’s evidence to sustain a counternarrative of the program’s passage, the new evidence presented in this paper does suggest that future research on Medicare should further consider the role of public opinion. As noted, interviews with Mills years later indicate that he recalls public opinion being the decisive factor in his ultimate support for Medicare and that he frequently sought to associate himself with the program in public after its passage. Likewise, Johnson seemed to share this view that public opinion could ultimately move Mills at the time: recall that Johnson thought he would be persuasive in telling Mills that Medicare would be the “single most important, popular thing” that Mills would do in Congress that year,¹⁴²

¹⁴¹ Swenson, “Varieties of Capitalists Interests,” 4.

¹⁴² Blumenthal, *Heart of Power*, 179.; Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 3 June 1964, Citation #3642, Recordings of Telephone Conversations –

and perhaps during his entire career. Similarly, Johnson read Mills the results of opinion polls that indicated Medicare was popular and Democrats had “done nothing for the old folks.”¹⁴³ Though this evidence is not definitive, it suggests that the roots of the public’s support for the program (or at least politicians’ perceptions of this support) deserve serious attention.¹⁴⁴

The role of the decisive 1964 election itself also ought not be neglected. Whatever factors kept Medicare high on the Democratic party’s agenda for nearly a full decade before its passage, only the decisive election of 1964 allowed these factors to manifest. In this sense, Medicare’s fortunes before and after the election of 1964 starkly demonstrate how, as Huber and Stephens have argued, the presence of a friendly political party can play a “crucial mediating role” in welfare state development.¹⁴⁵

Next, though it is also beyond the scope of this paper, Medicare’s

White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.

¹⁴³ Recording of Conversation between Lyndon B. Johnson and Wilbur Mills, 6 June 1964, Citation #3686, Recordings of Telephone Conversations – White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Library.; Blumenthal. *The Heart of Power*. 180.

¹⁴⁴ Incidentally, Mills and Johnson were ultimately right to expect that the public would view Medicare as an important achievement. After Medicare’s passage, Wilbur Mills gained a reputation for being a “miracle worker” in Congress (“Mills The Miracle Worker”, *Publisher’s Newspaper Syndicate*, 6 April 1965, Mills Papers, Box 275) and garnered widespread laudatory publicity for his key role in conceiving the program after decades of gridlock on the issue (“After 20 Years of Argument, House Tackles A Health Bill,” *Atlanta Journal Constitution*, 8 April 1965, page 5, Mills Papers, Box 275. See also “Mr. Mills’ Elder-medi-bettercare,” *Fortune* April 1965, Box 410, Mills Papers).

¹⁴⁵ Evelyne Huber and John D. Stephens, *Development and Crisis of the Welfare State* (Chicago, 2001). From a macro standpoint, Medicare represents a crucial historical case for Huber and Stephen’s theory for another reason not discussed at length in this paper. Though the New Deal is obviously an important historical case, the circumstances surrounding it make it ill suited to adjudicating disputes about the relative importance of business interests and power: there are plausible reasons that the crash dramatically changed both business political power and business interests simultaneously, leaving it difficult for scholars to convincingly separate the many effects the Great Depression had on US political economy. On the other hand, Medicare passed in 1965 even though there were no sudden changes in the economy that occurred between 1964 and 1965; only the election in November 1964 constitutes a plausible explanation for the sudden shift in the proposal’s political feasibility.

passage may provide fruitful ground for research on state autonomy.¹⁴⁶

Though Johnson claimed to many Members of Congress that voters had given him a mandate to pursue Medicare, a confluence of factors decided the 1964 election that were at least as important as Medicare, including Goldwater's extremist platform, the Vietnam war, civil rights, poverty, and the memory of Kennedy's assassination. Explaining how and why Johnson translated his popularity to pass his Medicare program is another interesting question that future scholars should closely consider.

Last, but perhaps most of all, Mills' own role in expanding the program threefold is particularly remarkable and worthy of further future investigation: there is no evidence that the Administration's original bill would have failed without Mills' action; to our best understanding, Mills dramatically expanded the scope of the bill even though his political circumstances did not necessitate it.¹⁴⁷

9. Addressing The Problem of Preferences: Tracing Preferences Across Strategic Contexts

More broadly, this paper illustrated the vital importance of considering political actors' strategic circumstances when seeking to identify their policy

¹⁴⁶ E.g. Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research" in, Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing The State Back In* (Cambridge, 1985).; Samuel DeCanio, "State Autonomy and American Political Development: How Mass Democracy Promoted State Power," *Studies in American Political Development* 19 (2005): 117-136.

¹⁴⁷ It is understandable that scholars remain unclear on Mills' 'true motives' for the choice: by most accounts Mills' move was entirely unexpected by both his political allies and enemies at the time, too (see Blumenthal, *The Heart of Power* for both a review of and a unique skeptical perspective on this claim). In addition, as discussed, nearly all at the time expected the program to pass even without Mills' addition of Part B and Medicaid. The most promising hypotheses seem to be that Mills thought an expansive program would forestall the demand for universal healthcare more broadly and that Mills hoped to claim credit for introducing a popular program.

preferences. Identifying political actors' preferences is foundational to the study of politics, especially when seeking to ascertain to what degree various actors wield political power (such as that of businesses on the welfare state). Yet, though actors' preferences must be estimated from their positions, an actors' decision to take a position, as Frieden notes, also "typically embeds in it calculations of what the impact of [taking] this position" will be.¹⁴⁸ As discussed previously and summarized in Table 1, there are a number of 'impacts' actors might hope to achieve by misrepresenting their preferences, including in order to advance a less unsatisfactory outcome from a position of political weakness, to overstate their opposition to extract further concessions, to gain access to actors and policymaking processes, and to shape policy feedback effects.

Such tendencies pose a thorny methodological problem, the 'problem of preferences', that researchers cannot benignly ignore; throughout this paper, I showed how actors' true preferences could (and were) easy for scholars to miss by neglecting these issues, even from private primary sources like personal letters and internal memoranda.¹⁴⁹ This evidence illustrated how reliably reconstructing the policy preferences of a political actor through their statements is exceedingly difficult, and that both public and private statements should be viewed through a strategic lens.

¹⁴⁸ Frieden, "Actors and Preferences in International Relations."

¹⁴⁹ In fact, though historical scholars sometimes assume that access to archival material allows this problem to be surmounted with the greatest ease, the problem of preferences is probably *particularly* important for historically minded scholars to consider: historically minded scholars often study times of great change in politics and society, and such changes often coincide with dramatically different strategic environments for the actors involved, understanding actors' true preferences or motivations during such historically significant periods requires particularly exacting empirical and analytic rigor about this problem.

Nevertheless, despite the importance and pervasiveness of this problem, scholars have few reliable guidelines about how to identify actors' true preferences when there is reason to be concerned that they might be acting strategically.

Though other scholars have proposed solutions to this problem, these suggestions have crucial weaknesses. Hacker and Pierson argue that researchers should specify actors' interests *ex ante* to avoid this problem, ascertaining actors' preferences from an a priori theoretical analysis.¹⁵⁰ Frieden, in the tradition of international relations, similarly supports such "deduction" about actors' preferences "on the basis of preexisting theory" given the problem of preferences.¹⁵¹ However, as the debate between Hacker and Pierson and Swenson indicates, in practice it is nearly impossible to definitively establish *ex ante* what is in actors' interests (or, worse, what actors perceive to be in their interests). Korpi, by contrast, argues that a better approach to overcoming the problem of preferences is to consider "the time order in which different actors enter the policy-making process", arguing that those who "initiate" advocacy for a particular policy "can be assumed to" favor it "as their first-order preference."¹⁵² Yet Medicare's case shows the weakness of Korpi's proposed approach as well, as a number of policies, including the Kerr-Mills program, Part B, and Medicaid, were all initiated by actors who clearly did not truly favor these programs'

¹⁵⁰ Hacker and Pierson, "Business Power and Social Policy."

¹⁵¹ Frieden, "Actors and Preferences in International Relations."

¹⁵² Korpi, "Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism."

enactments.

In this paper I illustrated how scholars can seek to overcome the problem of preferences by *tracing actors' expressed preferences across different strategic contexts*. Scholars can expect to better understand the impact of strategic context by seeking variation in it because strategic context is responsible for inducing the problem of preferences in the first place. In this way, just as scholars seeking to understand the impact of any variable investigate what coincides with changes in it, scholars attempting to account for the role of strategic context in actors' expressed preferences can learn much from variation in it. Conversely, however, the same logic also implies that, without showing how actors expressed preferences change across strategic conditions, even the most ostensibly trustworthy sources and methodologies may yield deeply inaccurate interpretations.

This paper illustrated two ways scholars can trace how actors' preferences change with strategic context: specifically, researchers can trace how actors' preferences change *over time* as strategic settings change and *across strategic settings within time*. I illustrated this methodological approach by tracing how the NAM, Chamber of Commerce, and Byrnes changed their expressed preferences before and after the 1964 election and how Wilbur Mills changed his appeals across audiences.

In many of these cases I also documented these actors' *explicit statements* about their understandings of their strategic environments. Statements like these are rare in the historical record but can crucially add

to such analyses.

Using these strategies, this paper was able to shed new light on the business interest debate's impasse: all theories would make the same predictions about business' expressed preferences after the November 1964 election, but they crucially differed in what should have been expected just before this event (and across actors' strategic contexts within time).

Tracing how actors' expressed preferences change with variation in their strategic contexts can thus help scholars appraise the incentives historical actors face and the preferences they hold. As Gerring notes, process tracing is generally "akin to detective work" in that multiple pieces of evidence are "employed for the verification of a single inference."¹⁵³ In the case of ascertaining actors' true preferences Gerring's formulation is especially apt: it is unlikely that any one piece of evidence can convincingly establish what actors truly prefer because variation in actors' strategic context is analytically crucial to identifying their preferences.

While this problem of preferences may appear of greatest interest to historical researchers engaged in the close study of particular cases, its importance is by no means limited to them. For example, as discussed, one example of how political actors might support a political outcome they do not truly prefer is when PACs donate money to members of the majority in Congress simply because these members are in the majority. Imputing a

¹⁵³ Gerring, *Case Study Research*. 173. More generally see also Ronald Aminzade, "Class Analysis, Politics, and French Labor History", in L. Berlanstein, ed., *Rethinking Labor History*, (Illinois, 1993), 90-113.; James Mahoney, "Strategies of Causal Assessment in Comparative Historical Analysis", in James Mahoney and Dietrich Rueschemeyer, eds., *Comparative Historical Analysis in the Social Sciences*, (Cambridge, 2003), 337-372.

massive preference shift among PACs when control of Congress changes would be erroneous, though PAC donation patterns still contain a wealth of useful information about politics we would like to use. In pioneering work estimating the ideological position of PACs, therefore, Bonica includes controls for politicians' majority party status (i.e., a key variation in strategic environment PACs face) in order to account for this manifestation of the problem of preferences.¹⁵⁴ Economists likewise often struggle with how to infer consumers' preferences from choices made in particular incentive environments.¹⁵⁵ Political scientists also, however, regularly use procedures such as content analyses to ascertain various actors' preferences in ways that do not confront the problem of preferences and are thus vulnerable to substantially misinterpreting various actors' preferences, interests, and power.

Scholars advancing claims about actors' genuine preferences – and the role that these preferences play in determining important shifts in political power and institutional development – should thus view careful consideration of the problem of preferences as a central methodological obligation. Not only should scholars, as Frieden argues, “be explicit about how they determine the preferences of relevant actors,” but, as we do so, also pay careful attention to the strategic circumstances political actors faced and the “impacts” they might have hoped to achieve with the positions we analyze.¹⁵⁶

¹⁵⁴ Adam Bonica. “Ideology and Interests in the Political Marketplace” (Working Paper, Stanford University, 2012).

¹⁵⁵ E.g., Paul Samuelson, “Consumption Theory in Terms of Revealed Preference,” *Economica* 15 (1948): 243-253.

¹⁵⁶ Frieden, “Actors and Preferences in International Relations.”